CREDIT INDUSTRY SECRETS

“FAST, EFFECTIVE CREDIT REPAIR!”

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Disclaimer: isn't it crazy what we have to do to protect ourselves from vultures?

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INTRODUCTION

Repairing your credit rating is not as intimidating as it might seem. It's as simple as writing a few letters, which are almost completely written for you here. It's actually fun to make the "big guys" listen to you, and do what you ask, rather than the usual routine of them telling you their policy, and doing just as they please. It's a real boost to a person's self image.

In recent years Congress has passed some important consumer protection legislation. The most significant of which is The Fair Debt Collection Practices Act. A brief summary of the Act is included in this book. Most importantly, there are references to case law in the summary. I'm not aware of anyone else who quotes this information, who also includes case law. You will see that this is very important when you wish to assert your rights.

No longer do you need to fear third party "debt collectors." In fact, if you receive a notice from a debt collector that they are attempting to collect a debt, I want you to jump for joy. Do handstands, and such. When a creditor turns over an account to a collection agency, or an attorney, that you purportedly owe them, they open themselves up to a potential disaster. Do not fear credit reporting agencies, either. They are subject to The Federal Fair Credit Reporting Act.

The law and the government are on your side. Collectors and credit bureaus almost never handle accounts correctly. When they don't they deprive the alleged debtor of his due process rights. Depriving an alleged debtor of his due process rights is the grounds for a big law suit. It also voids any legal proceedings.

This is very, very important. I will say it again in another place in this book. **NEVER ALLOW ANY OF THESE PEOPLE TO NEGOTIATE BY TELEPHONE**. There is a maxim which states, "If it isn't written, it wasn't said." You must have everything, on both sides, documented IN WRITING. Later in this little book I will go more into detail of some actual cases, including correspondence with third party debt collectors that resulted in a nullification of the entire debt. You need to know this information. It's deadly. But, first let's look into the

foundation for this kind of action.

It is very unlikely that you will significantly improve your credit rating in thirty days as some people promise, but you should see some improvement in thirty days. Everyone's situation is different. In some cases that need only minor tweaking, thirty days might do it.

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IS IT ETHICAL TO TRY TO REMOVE LEGITIMATE BAD CREDIT?

Yes! One of the best explanations of that is the following article written by Jayson Orvis, Attorney At Law: "Credit Repair" has not been kind to the American consumer. In fact, the phrase is synonymous with fraud. This is the stigma we face as we offer a membership wherein the client is offered an alternative to "credit prison." Because the nasty reputation of credit repair sometimes washes over into our space, we are often called upon to defend the ethics of our service.

Despite the disrepute which taints credit improvement, our service is clearly analogous to the service provided by a defense attorney. The credit report is no more than an allegation. Unfortunately, most citizens never challenge that allegation. By enlisting the Law Offices through N.A.C.A. to their defense, our clients employ us to enter a plea of "not guilty." We take an affirmative defense; we offer a reasonable alibi and leave it to the bureaus to substantiate their allegation. If the bureau claims to have investigated and affirmed the allegation, we appeal the decision. Eventually, we find that most credit report allegations are at some point untenable and are removed.

Removing record of a negative credit account, which did actually exist, is undoubtedly ethically sound. We belong to a fundamentally capitalistic civilization and the credit bureaus capitalize on consumer information. Unlike our legal system, the bureaus take no oath to truth, equity and the common good. No American has the moral obligation to support any business venture or corporation, much less a corporation which may well destroy their financial life. The information tended by the credit bureaus is ethically "up for grabs."

The credit bureaus would maintain every piece of credit information forever if it weren't for federal law which has directed them to remove most items after seven years. In essence, the credit bureaus themselves practice credit repair, basically at the seven year mark. If it is right to remove accurate credit accounts after seven years, why would it be wrong to do so in less time?

In relationship to the consumer, the credit bureaus do not concern themselves with the impact of the information. This information often misrepresents the credit worthiness of the consumer. By tagging good citizens as "deadbeats" the bureaus damage the creditors, the economy and, most importantly, the individual. Several policies and techniques employed by the credit bureaus appear most abusive to the American consumer; these we cite as justification of our opposition to the present credit reporting system.

Seven years (10 years for bankruptcy and some court accounts) credit bondage punishes the debtor unjustly. At no point have the credit bureaus ever conducted a study determining seven years to be the point of deadbeat rejuvenation. The seven year mark is entirely arbitrarily. In fact, Dr. Bonnie Gution, adviser to President Bush on consumer affairs, remarked, "...it is our understanding that computer models that predict credit worthiness find most information that is more than two years old nonessential."

Based on experience with our clientele, seven years is truly too long. Within a year or two, most consumers completely recover from an economic crisis. For the remaining five or six years, they are left hobbled---forced to rent homes, pay outrageous interest on high risk auto loans, forgo the convenience of credit cards and pay cash for every expenditure. By expelling the consumer from the credit loop, the economy suffers. Our clients come to us on the financial upswing. If they can afford our membership, they are most likely on the way back to financial abundance. These are consumers fully recovered from crisis, re-engaged to financial responsibility and anxious to reenter the credit economy. For them, we offer a deserved parole from the credit prison which they entered as their financial world fell apart.

The credit bureaus have not been able to maintain reasonable accuracy in their credit profiles. The bureaus claim an error ratio under 1 percent. In reality, studies conducted by neutral third parties have determined the credit report error ratio to be closer to 40 percent. Unfortunately for the consumer, the credit bureaus choose to err on the side of negative information. As our clients' files have passed through our offices, we have noticed a high incidence of file mergers---the worst kind of file error. In a file merger, the credit of another person with a similar name is spread onto the file of the innocent bystander. Oddly, the credit

bureaus fiercely resist correction of these obvious errors. We have found the only way to prompt them to revision is through a lawsuit.

Credit reporting makes up only a small portion of the revenue which the bureaus claim each year. The databases really pay off in the sales of information. From generic target marketing lists to invasive personal investigative inquires, the bureaus cull a pool of information larger than any in the civilized world. The end loser is the consumer who values his privacy. The horror stories keep coming about individuals whose jobs have been lost, insurance cancelled, reputation ruined by sloppy collection and dissemination of personal information. This does not include the mass irritation experienced by consumers forced to wade through the reams of junk mail. Privacy is a thing of the past---and the blame can be firmly placed on the credit bureaus.

America is not the only country in the world whose economy utilizes consumer credit. Other countries, such as Great Britain, extend credit based on the individual's present credit standing. a grand-scale revision of the credit reporting system in the United States would not throw our economy into chaos and distress. Until that day, we should feel comfortable that the removal of negative credit accounts before the seven year mark isn't unpatriotic, it's not unfair and it's not unethical.

The Fair Credit Reporting Act of 1971

(a) Gives you the right to know what information is held about you, without charge, if you have been denied credit within the last 60 days.

Author=s note: Recent changes to the law allows every person to receive a copy of their credit report Awithout charge,@ once every year.

(b) You have the right to receive a report of who has seen your credit file for the last six
months, and who has seen it for employment purposes for the last two years.

(c) You have the right to have information you dispute verified and corrected or removed if inaccurate or unverifiable, and to have an updated report sent to creditors, who have seen your report in the last six months, with the corrected information.

(d) You have the right to place a 100 word statement, if negative information is verified and not removed, stating your side of the story.

(e) You have the right not to have adverse, negative information on your credit report for more than seven years, ten years with bankruptcy, under the law.

New Legislation - Consumer Credit Reporting Reform Act of 1996

Late in 1996, Congress passed amendments to the Fair Credit Reporting Act. This legislation was put together by Congressman Joe Kennedy, Charles Schumer, Esteban Torres and Senator Richard Bryan. Several consumer groups were involved as well. (U.S. Public Interest Research Group, Consumers Union, and Bankcard Holders of America).

The new bill is called the Consumer Credit Reporting Reform Act of 1996. Most of the provisions are effective October 1, 1997. Here is a summary of those new provisions:

(a) Credit bureaus must promptly investigate disputed items, usually within 30 days, and within 5 days after the investigation send the consumer a revised copy of their credit report with corrections. The Credit bureaus must report and share corrections with other bureaus.

(b) Credit bureaus cannot reinsert deleted information unless that information has been certified by the creditor. If the information furnished is certified, the Credit bureau must notify the consumer with the name, address and phone number of the creditor. The Credit bureau must allow the consumer to add an explanatory statement to any remark on the credit report.

(c) Anyone who supplies information to a Credit bureau cannot provide information they consciously know is inaccurate. If a mistake is brought to the attention of a creditor, they must promptly correct it and the correction must be reported to all Credit bureaus. If a Creditor investigates a dispute and finds it correct, they must report it as being disputed by the consumer.

(d) Credit reports are free for those who are unemployed, on public assistance and fraud victims. Credit reports are free if you have been turned down for credit or insurance in the past 60 days based on information in your credit report. A copy of your credit report outside of the previously mentioned circumstances are $8.00.

(e) A creditor must report an account as closed when a consumer closes his account.

(f) If an employer wants to review an employee's credit report, or a prospective employee, they first must get written permission from the person they want to review. If adverse action is taken against the employee because of information obtained from the report, the employer must provide the employee a copy of the credit report and a description of their credit rights.

(g) Consumers who request their report must be shown the full trade name of anyone who

has requested their credit report in the past year (two years if inquiry made by employers).

If requested the Credit bureau must give the names, addresses and phone numbers of those companies that made an inquiry. Prescreening cannot be shown to anyone but the consumer.

(h) Credit reporting agencies must offer toll-free numbers to anyone wishing to be removed from lists allowing prescreening of their credit report. The bureaus must share requests with other bureaus concerning consumers wanting to be removed from pre-screening.

(I) Insurance or credit companies that use prescreening to pre-approve customers must make a FIRM offer of credit to anyone who meets the initial prescreening offer. Unless something has changed since they pre-screened your credit, creditors must follow through on a pre-approval offer.

(j) If you have charged off debts the time period of seven years is the maximum time allowed on your credit report. Unlike the past, the reporting period for collection, and profit and loss does not start when the creditor gets around to reporting it, often that was a year later. The reporting period will start 180 days after the payment should have been made.

(k) One of the most interesting provisions is that lenders may show consumers their credit report if they have taken adverse action based on information in the report. This does away with the hide and retreat tactic that a lot of lenders used to use before.

HOW TO USE THE CREDIT REPAIR STRATEGIES

NOTE: When it comes to validating a debt, court rulings for debt validation under either The Fair Debt Collections Act, or The Federal Fair Credit Reporting Act, may be used for either type of letter. Debt validation is debt validation, regardless of what law was used when the court defined it.

1. The very first thing you must do is to get your credit reports from all three major reporting agencies. It=s free. For information on how and where to obtain your report see the section on Credit Reporting Agencies and Credit Repair, below. They send some brief instructions as to how to read your report. It=s a little intimidating at first glance, but it=s really not all that difficult to read.

   NOTE: Sometimes the site does not work for credit reports. Some people have found sites which do give them their credit report, but membership to the site is only free for the first 30 days. So, they get their credit report and cancel their membership.

2. Use the very first method after the credit bureaus as your first basic strategy. It=s deadly.

3. If that strategy does not take care of removing negative entries to your satisfaction, choose one of the alternate strategies. You know your situation better than anyone else. So, choose the strategy that you think will work best for you.

4. The most extreme strategy in this book shows you how to actually change your Acredit identity@ and create an entirely new credit file. It=s an extreme strategy, and you should save it for last. It=s not a strategy that I recommend, but everyone has a

different situation. Sometimes, extreme is necessary.

CREDIT REPORTING AGENCIES

Credit reporting companies are subject to The Federal Credit Reporting Act. Dealing with credit bureaus and repairing your credit isn't a complicated or difficult process. It's fairly straightforward, unless you have a difficult situation.

Credit reporting agencies are merely data collection points for credit information. They never verify the information that is sent to them, unless you, the victim, request it! They simply record, in your file, every bit of information which is sent to them by lenders. Frequently, the information is wrong, and they never question it!

All credit reporting agencies must now provide one copy of each individual's credit report every year, upon request. The three major nationwide consumer reporting companies have set up one central website and a toll-free telephone number, through which you can order your free annual report. To order, click on www.annualcreditreport.com or call 877-322-8228. You must obtain copies of your credit report from all three of these major credit reporting agencies.

NOTE: These companies can charge you for your credit score. They don't like doing anything for free, and may try to get you to pay for this, and not even tell you what you are paying for. You **do not need your credit score.** You only need to see the entries that other people have put in your file. A free report is all you need.

www.experian.com www.equifax.com www.tuc.com

I don't know why, but these credit reporting agencies seem to change their mailing addresses fairly often. So, you may have to get their current address. You can get the current information on the Internet, or most any business involved with credit. You can also call them for their current address.

DISPUTES AND VALIDATION BY THE CREDITOR

When you have received and reviewed your credit report, follow these instructions for any negative entries. Send a very brief letter by certified mail with the following information. It is best if your letter is handwritten. "I am disputing this item, or these items, on my credit report. Please verify and validate it, or them."

NOTE: the word Averify@ is a very special and strong legal word. In Black=s Law Dictionary, fifth edition, it is defined, ATo confirm or substantiate by oath or affidavit.@ Always have that word in any type of dispute letter.

WARNING: Do not dispute more than three (3) items on your credit report at any one time. Also, wait sixty (60) days before disputing any other items on your report. There are laws in place which allow the credit reporting agencies to regard your disputes as frivolous if they detect that you are trying to eliminate all negative information on your file.

Back to your dispute: The credit bureaus don't have the time to verify all of the information which comes in on a daily basis. They will check the item, or items, and give a brief reply. They have a total of 30 days from the receipt of the original certified mail you sent them to them asking for verification. Wait until there are only 10 days left, and send another certified letter stating: Your alleged validation is not sufficient to show that I am a debtor to that creditor.

They will have insufficient time to check it out, and they must remove it from your file. If for some odd reason they do provide sufficient validation, it must be 100% accurate, or they must remove that information from your file.

There is case law involving The Fair Debt Collections Practices Act, which states exactly what it takes to verify that a debt is valid. Validation of the debt can either be a signed

judgment order, or an accounting which is signed and dated by the person responsible for maintaining the account general ledger.

NOTE: A copy of the original note with your signature on it is not validation, just as a copy of a $100 bill is not negotiable. If you ever find yourself in court do not allow a mere copy of your signature to pass for proof of debt. Your signature could be copied from many sources, and you are not liable for anything pertaining to those copies.

Case references:
GE capital Hawaii, Inc, v. Yonenaka, 25 P.3d 807, 96 Hawaii 32, (Hawaii App 2001)
Town of Brookfield v. Candlewood Shores Estate, Inc., 513 A.2d 1045 (3Dist. 1987)
Fooks v. Norwich Housing Authority, 28 Conn. L. Rptr. 371, (Conn. Super.2000)

If any credit bureau gives you any static about validation after you send the "not sufficient to show I'm a debtor" letter, don't hesitate to fire off another letter quoting the information above. Although the cases pertain to The Fair Debt Collection Practices Act, debt validation is debt validation, and the courts have defined it.
ALWAYS, ALWAYS, ALWAYS; only deal with these people in writing thru the mail. Always send certified letters that make them sign a card when they receive your letter. Always keep copies of everything in a special folder, just in case you ever need to go to court. Also, always demand an updated copy of your file after the negative items have been removed.

A word about bankruptcy and other legal items in the public records on your credit report. These items can be quite difficult to get off your report. However, there are ways to do it.

1. Write two letters: One to the court clerk where the judgment was issued, asking if the court verifies information with credit reporting agencies. Send a stamped self-addressed letter to the court clerk, to make it easy to reply. Write the second letter to the credit reporting agency asking about their procedure for verifying public records. Hopefully, they will tell you that the courts are providers of information, which is a lie. The letter from the court clerk will prove that they are lying, and they will have to delete

the entry.

2. File identity theft information with the credit reporting agency to have the file removed. (See below for identity theft strategy.)

3. The small claims court strategy can be used as a follow up to both 1 and 2, if they fail.

4. After three years most courts move the files into an archive warehouse, that makes it almost impossible to verify the legal items. So, wait until these items are three years old before trying to get them removed.

If a credit bureau, or collector, does validate a negative entry on your credit report, make the actual creditor verify that it is your account. Write them, telling them they are incorrectly reporting negative information to the credit bureaus about you. Insist that the account is not yours, and demand written proof that the account is yours, including a contract that has your signature on it, along with an accounting which is signed and dated by the person responsible for maintaining the account general ledger.

Send the letter by certified mail, and give them one week to submit the proof or you will contact the Attorney General in your state and file a complaint. If they don't provide proof, or otherwise contact you within a week. Send a follow up letter, ordering them to remove the information from all three credit bureaus, or you will go to the Attorney General's Office. Demand a letter indicating the information has been removed. Allow them one more week to remove the information and confirm it by mail.

Most creditors have everything in their computers, and cannot provide a copy of the original contract, which may be lost or stored in a warehouse. They either must provide the proof, or remove the item from your credit report.

IDENTITY THEFT - A VERY POWERFUL ALTERNATIVE

Go to the affidavit form from this link and print out the form:
http://www.ftc.gov/bcp/conline/pubs/credit/affidavit.pdf

The form is also included as part of your download when you purchased this book. Fill them out for all the creditors who are reporting negative items on your credit reports and take them to your bank to have them notarized.

NOTE: Don't sign them until the notary tells you to sign them. Send a copy of the forms to each of the credit reporting agencies. You will be amazed how well this works. If you have an actual case of identity theft call your local police department to file an identity theft report. You may have to do this in person. Send a copy of the police report, or the number they give you along with your affidavit.

SMALL CLAIMS COURT - AN EFFECTIVE ALTERNATIVE

If you just can't seem to get it done, file suit against the creditor, or credit bureau, in small claims court. You are filing for defamation of character, as negative entries on your credit report are just that. File suit for your actual expenses in postage, filing costs, summons server, and such. A summons server can be found on the Internet for about $25. The expenses are minor. Courts don't like it when us "little people" sue for punitive damages. Just keep in mind that your goal in going to court is to have the negative information removed from your file, not to profit. In fact, you probably won=t ever collect a dime. So, don=t worry about that.

NOTE: If you have never been to small claims court, you should know that getting a judgment in that court does not mean anyone will automatically pay you the amount of the award. If you want to collect, you may have to take your judgment to a higher court. You will automatically win in a higher court, because you already have a judgment, but the judgment from a higher court allows you to file a lien against the defendant.

Bring all your letters and receipts to court and tell them exactly what you want, what you have done, and what the response has been. Keep it simple, and don't be accusatory, name calling, or anything beyond a "matter of fact," style of reporting what has happened. That will help keep the judge on your side.

Small claims courts are usually held at the county level. You can call for information, and pick up the forms when you know where to go. The process is kept very simple, because it's all set up for just plain folks. Attorneys are not allowed in small claims courts. You are almost certain to win by default (without saying a word), because the creditor will almost never show up. It=s really hard to imagine that a creditor, or a credit bureau, would actually come, or send an employee, to fight a $25.00 lawsuit.

DISPUTE IT AGAIN - ANOTHER EFFECTIVE ALTERNATIVE

This time you are purposely setting up the credit reporting agency. Often the credit reporting agency will tell you that they have already verified the information. That is irrelevant. Legally, you can dispute any information as many times as you wish.

Wait until there are only 10 days left from when they received your dispute. Of course, you sent it by certified mail, because you now know how important it is to have everything documented. When there are only 10 days left, send them another letter reminding them that there is a Federal Law mandating that they verify your disputes, with a penalty of $5,000 for mishandled disputes.

Wait until the 30 day window has passed, and send them another letter informing them to remove the information you have disputed. If you do receive a correct verification, and it is sent after the 30 day window, it's too late. Notify them that they must remove the information.

The other part of the "dispute it again" strategy is persistence. If you continue disputing some information on your credit report, somewhere along the line someone will let it slip by, or simply get tired of responding to your disputes. Be persistent!

WHEN NOTHING ELSE WORKS

You can include a 100 word explanation of negative credit items in your credit file. It's Federal Law. Anyone looking at your credit file supposedly can read your comments. However, there is often only a notation that your explanation is on file. The person reviewing your credit may have to ask to see it. Usually, the fact that you took the time to explain it is enough to make the difference to a creditor.

Your note should state a good reason for not having been in control of your credit, along with a reason that it won't happen again. Never say something like you had too many bills, or you just forgot to pay. Include the reasons why it won't happen again, such as a better job, or that you have resolved the health issues which caused your problems. A potential creditor wants to know that you can manage your money, and that you have a stable income to support your credit.

NOTE: do not use this strategy for items you may wish to dispute again. You need to be completely finished with every other strategy before you send this note. It verifies the validity of the negative remarks, making it impossible for you to dispute it again.

THE LAST STRAW - CHANGE YOUR CREDIT IDENTITY!

NOTE: This is not a method I recommend, because it borders on fraud, and you may run afoul of the law. Use it at your own risk.

NOTE 2: I have heard that your birth date may also key into your old credit files. Many people are altering their birth date to date when they were conceived, as many religious and conservative groups believe that is when life originates. You may want to alter your birth date along with the other information you will find in this report.

There's a unique way that people are freeing themselves from the shackles of bad credit and that is to create a new credit file on themselves within the credit bureau's computer system. This new file won't have any of your previous credit on it. And as you read an you'll see exactly how to make sure that only your new credit file surfaces when someone is running a credit check on you. This sounds complicated but it's very simple as you'll see.

In the credit bureau's computer system are millions of people's names, personal information, and credit histories. With so much information stored on so many people it's common to find many people with the same names and birth dates. Some of these cases maybe in the same city. The credit bureau has many identities entering their system for the first time or leaving permanently because of the thousands of births and deaths in America each day. Because of the vast number of people in this country and the massive amount of information being stored on every aspect of our lives, accompanied by increased legislation that restricts the ability of different computer agencies to cross reference or exchange information on citizens, a complex situation exists that limits even the most powerful computer system's ability to keep track of these gigantic reservoirs of information compiled on the American people! People that create new credit files on themselves understand these things very well.

Contrary to popular belief the computer is not fool proof. It can't think yet. so therefore, it's vulnerable to those that realize this. As it stands today they don't have artificial intelligence and can only act on what's put into them. The way people create a new credit file the credit bureau lacks the safeguards to protect itself from out side manipulation and are limited in their ability to tell if the information that's input into their system is accurate or inaccurate. And because of this there's hardly ever an investigation done on those that create a new credit file because of "how" they manipulate the system to their advantage. Taking all this into consideration, we've discovered the avenue through which new credit files are created called the "LOOPHOLE".

Your Name And Personal Information

There are 3 ways that people create a new credit file. One is to use their same name with different personal information. Another is to use the same personal information with a different first or last name. And last of all, they use an alias name with the same or different personal information. When I speak of personal information I'm talking about a person's birth date, social security number, address etc.

It's up to you to decide which way is best for you. The credit bureau's computer has to match a person's name and personal information with what's stored in it's memory banks or it won't be able to find the person's credit history! Anyone of the 3 variations mentioned in the previous paragraph throws the computer off in it's search for a person's credit history and as a result a - no record found - is reported back to those performing the credit check. A - no record found - means that a new credit file can be compiled on a person based on the name and personal information used in the initial credit check and would belong exclusively to the person desiring to do such! Thus, a new credit file is in the makings!

Just keep reading if you will and I'll show you how easy it is to get a drivers license or State ID card to match the name and personal information a person uses to create his new credit file. And I'll also show you how to establish credit on your new credit file.

Let's say that your name is John Doe and you were born on Jan. 38th, 1492, your social

security number is 000-00-0000 and your address is 1234 Credit Ave. Florida, Alaska. Now let's say that your credit is bad enough to get you turned down whenever you apply for additional credit and you want to get around this obstacle. If you changed your to another that starts with a different letter other than the first letter of your real name, such as Robert Doe instead of John Doe. and used your same personal information, a no record found - would surface during a credit check! If you kept your and changed your last name to another one that starts with a different letter other than the first letter of your real last name, such as, John Williams instead of John Doe, and used your same personal information, then a - no record found - will also surface.

If you kept your real name, both first and last, along with your real birth date (birth date must always stay the same in order to match with the birth date on your License or ID) and changed everything else in your personal information then a - no record found - would surface also.

With a completely different first and last name or alias you can keep all your original personal information or make up new personal information (remember that your birth date must always stay the same) and a - no record found would surface both ways.

If for some unforeseen reason someone else's credit history shows up when trying to create your new credit file it means that you've accidentally chose information that caused the computer to tap into another person's file that has the same name you're using. In the event this happens you'll have to repeat the creation process until a - no record found - shows up. Remember that a - no record found - means that the file is clear, not being used by anyone else and is exclusively yours!

Many states, especially California, allow people to use aliases for a number of reasons. People whose names are well known use aliases to escape publicity as they travel, check into hotels, etc. While some wealthy people use them to hide certain assets of theirs from the public's view. Some of these people have drivers licenses, social security numbers, credit cards and other credit in these names! A lot of them borrow money in these aliases. Some

people have several aliases with a credit file on each name in the credit bureau's computer.

Choosing A Social Security Number

Your social security number is the most important factor that has to be - adjusted - before creating a new credit file! If you decide to keep your same name, your social security number must be different in order to throw the computer off in the creation of your new credit file. If you decide to change the first, last or both parts of your name you can keep the same social security number. You don't have to worry about having to show proof of the social security number you use when applying for credit at most places. Creditors usually ask only for your license or State ID . And in just about all cases they'll take your word as to what your number is if you tell them you don't have a social security card.

On the following page is information titled, What's in a Social Security Number. Read it carefully. It lists the different numbers in a person's social security number (the first 3) that represents the State a person was born in. When changing your social security number all you have to do is substitute your first 3 numbers or State code with those of another State. The rest of your numbers can stay the same.

If you use a different social security number to create your new credit file you must also use the State whose 3 digit code you're using as your place of birth in your new personal history because the computer system has the state codes built in them and can spot false social security numbers or those prefixed with the wrong State code when used with your place of birth! Remember that if you're changing your name you can keep your real social security number. The only time you'll change it is when you're keeping your real name.

If you're changing your real name you can also have the people at the Social Security Office to give you another card with your new name and same number printed on it. This way you'll have two social security cards. Each one will have the same number and a different name. All you have to do is go to their nearest office and apply for a name change on your card. Then all you have to do is show them your license with your new name on it (more about this as you keep reading) and also show them some type of proof of your original name. No court

order is required and they'll mail you a copy of your new card with the name change on it.

Your New Drivers License or State ID

After you've decided which way you want to create your credit file you'll have to get a drivers license or ID to match. If you decide to keep your real name and use different personal Information to create your new credit file all you have to do is have a routine address change on your license to match the one used for your new credit file.

In the event you decide to change your name to create your new credit file you'll have to get a duplicate license or ID to match the new name you're going to use. All you have to do is go to the to the driver's license bureau. Give them your license or ID number but don't let them know that you have your license or ID with you. Then tell them you want to get a duplicate license or ID because you've misplaced the original. At the same time tell them you want to make both a name and address change on your license or ID.

In California they'll do this on your word no requiring a court order. In fact, they can't refuse to do this for you because it's standard procedure. They'll give you a sheet of paper to check the answers to a few questions. After you've completed the sheet give it back to them with the fee they charge to do everything. Then they'll take your picture and issue you a valid temporary drivers license or ID with the changes on it. It shouldn't take more than 3-4 weeks for you to receive your permanent picture license or ID. It will be good for 6 years. Doing things this way you'll have two licenses or ID's. One will be in your real name with your real address on it and the other will be on in your changed new credit name with your new credit address on it.

When time comes to renew your license or ID, be it the real or changed one, simply take the license or ID for either one of them and had it along with their application for renewal and their fee to the clerk. Then they'll take your picture and renew it. And it's just that simple.

If you choose to create your new credit file by keeping your real name and using different personal information, you don't have to go to the drivers license bureau if all the new credit

you want is in the form of credit cards only. In most cases all that's on a credit card is your name without an address or other personal information.

So you can use your original license or ID without having to get any changes on it, even though when you applied for the cards you used a different address. The reason why you can do this is because when you use a credit card there's no address on it for a clerk to try to match with your license of ID. The clerk will only want to check to see if you have the name of their card on your ID or license. But if you plan on obtaining major credit and will require you to come before people to show your license or ID then you'll have to get a duplicate with the address on it along with the same you'll be using.

One last point that needs to be made about your new duplicate license or ID that you might have to get is that even though the drivers license bureau will change your name and address on your word they won't change your birth date. So because of this your birth date must remain the same regardless which way you create your new credit file.

Some other states other than California require for you to bring in a court order to the drivers license bureau for a name change to take place on your license or ID. Most attorneys charge $200 - $700 for a name change. But if you fill out all the papers yourself, which is simple to do, it will cost you only $10.

Once you sign the papers take them to the county court clerks office and leave them with the clerk along with your $10 fee. The next day or two you'll be able to pick up the court order for your name change signed by the judge. In order for the name change to take effect you have to advertise it in a local paper. If you got the court order and didn't advertise the name change it wouldn't be official and therefore wouldn't appear on your record. This is just what you want! Take the court order to the drivers license bureau and they'll make your name change on the duplicate license or ID that you'll be using for new credit purposes. But don't advertise the name change so it won't appear on your record!

Creating the New Credit File

Once that you have decided what name and personal information you want to use for your new credit file it's a simple matter to create the file and get the credit report on it. There are three ways to create the file. One way is to mail a letter to the credit bureau requesting for a copy of the file being mailed to you. The other is to go to the credit bureau to get your file. And last of all you can have a credit granting business that's a member of the credit bureau create the new file for you.

If you wrote to the credit bureau requesting a copy of your credit report in the name and personal information that you decided to use for your new credit file, then they would mail you a report on that file after they have typed your name and personal information into the system (where it will stay) to see if there's a credit history on the information you sent them. When you receive the report back from them it will more than likely have - no record found - on it.

As I've stated, when they type your name end personal information into the system to see if there's a record of you being granted credit before, that information will stay in their system. In other words the computer will absorb the information you supplied them into their system as a new credit file when they search for any credit record in the name and personal information you gave them. And even if it comes back - no record found - it will still have in it's system your personal information such as your name, address, birth dates, social security number, date of birth, place of employment, etc.

Your goal is to act like you went your credit report so you can take a look at your credit history. What they won't know is that you already know that you don't have a credit history in that name and personal information end that this is your way of manipulating them to create a new credit file on you by performing a search for what they think is your file, thus creating another one for you in the process! Since your name and personal information stays in their system once they type it in to pull the report end a new credit file is created in the process, then you have truly taken advantage of the loophole in the system to get your new credit file created!

Remember that once a person gets the credit report back it will more than likely have a - no

record found - on it. And this means that the new created file has been created, it's clear to use the name and personal information you supplied, and the new credit is exclusively yours! Now you can easily re-establish or rebuild your credit wisely on that file.

The credit bureau would rather deal with people by mail as much as possible as opposed to having thousands upon thousands of people coming to their offices each day throughout the country. Also keep in mind that it's utterly impossible for them to investigate even a small amount of letters they receive, much less all of them, to see if the information people are supplying is accurate or not. They are more concerned with collecting the fees and keeping their work load down by sending out as many credit reports as possible than they are at finding the very small amount of letters from those smart enough to create a new credit file on themselves.

So because the mail is the best means for them to communicate with the public, along with the many variables and sometimes complex circumstances that warrant a person requesting a copy of his credit report, the credit bureau has no other choice but to send the requested report without question as soon as possible regardless if the information the person is using is accurate or not! The fact remains that you will have a new credit file created in their system along with a new credit report on that file! Depending on the time of year you request the file it could take from one week to two months to receive it beck from them in the mail. Just be patient end wait for it because it's going to be sent beck to you!

Once you've gotten the valid temporary driver's license or ID slip that they give you until the one with the picture on it comes, you can go down to the credit bureau with it and get a file created on the spot by requesting a copy of your credit report when you get there. They'll give you a paper to fill out asking for your name end personal information. Then they'll go to their computer an pull your credit report, thus creating a new credit file, for a $8 - $10 fee.
The safest way to go about creating a new credit file is to go to a business such as a jewelry store that's a member of the credit bureau and reports to them on all their clients. Take your valid temporary or permanent picture ID that you'll be using to create your new credit file en apply for an inexpensive piece of jewelry for about $100 on credit. They will give you a Credit

application to fill out. Then they'll go to their credit bureau's computer terminal in their office and run a credit check on you by typing into their computer system your name and personal information in order to pull your credit report, thus creating a new credit file on you in the process! Next they may want you to give them a $20 deposit on the jewelry with the rest of the cost to be paid in smell monthly installments. After you make your first payment on the jewelry the following month they will report to the credit bureau that you have paid as agreed end it will show up on your new credit file as an A-1 rating.

The Best Way to Create Your New Credit File

The way that seems to he working best for people is for them to use their same name and birthday with all the other personal Information being changed. This way the only thing that has to be done at the driver's license bureau is a routine address change.

And instead of trying to go to the credit bureau or write them to get the new credit file created it works out better for people to go to a jeweler and get them to create their new credit file for them. Like I said this is working out with less problem than the other ways I've described to you. But it's up to you to decide which way you want to go about doing it for your self.

Employment References

After you've gotten your new credit report and matching license or ID you'll need an employment reference so that creditors you'll use to build a strong credit profile can call and verify that you are working before issuing you credit. If you decide to keep your name and use different personal information to get your mew credit file and are employed. This presents no problem to you. Potential credit grantors don't question your employer to see if you gave the correct personal information. When they call they only went to know if you (the name you gave them) works there, how long and possibly how much money do you make. If you decided to change your name in order to create your new credit file and are also employed, all you have to do is take your new license or ID to your personnel office or employer at your job and they will gladly make the name change on your records so when potential creditors call there it will be no problems.

In either case, if you're unemployed, a friend could be an employment reference for you or if you know anyone personally that owns a business, you can ask them if they will be an employment reference for you. Make sure that you tell them that it's only for credit purposes and won't involve taxes. It might work best if you give the person come money as an incentive for helping you.

You can also give the appearance that you are working when you are really unemployed by getting a business phone line placed in a friends home with an answering service attached. Then you can have it listed in the phone book because creditors do check to see if businesses are listed sometimes. Having it in a corner of a friends house and listed would give it a different address other than your own. If you would rather have it at your home you can have only the phone number listed and not the address. Then all you have to do is tell the potential creditors that you work with a small company that's into sales and sometimes everyone is out in the field. But the owner will get back in touch with them if they leave a message on the recorder. This is something that creditors run into sometimes and they won't be surprised at you telling them this. But what they won't know is that either you or one of your friends will be returning their call and giving you an excellent job verification.

Sometimes creditors ask to see a check stub from your job. This is an easy thing to get around. All you have to do is open a business account and order the checks that have the most business like check stubs. Remember to always type out your check stubs whenever you have to use them. It usually takes the banks a couple of weeks to get you your permanent checks. As soon as you get them you can close the account, if you want to, because all you wanted was the checks stubs. And always start off using the check with the largest number on it. This will require you to get checks from the rear of the check books. This will make the creditors think that the business has been in business much longer that it has!

Bank Loan Procedure

These loans are not designed to put money in your pocket. They are designed to get banks to trust you and start loaning you money along with posting A-1 credit ratings on you credit

report to show you credit worthy. The best credit reference you can furnish is a record of having borrowed money from a bank. Since bank loans are hard to get, a good reference will usually rate you as AAA-1 and open the doors to the credit world for you. The following is a technique for using the banks money to build an excellent credit rating for yourself.

First of all go to a bank of your choice. Make sure they report to the same credit bureau that you are building your credit file at. Open a regular savings account there for no less than $100. Wait 3 dys for the account to be posted and then go back to the same bank and ask for a $100 loan offering your savings account as collateral.

Since your loan is totally secured by your savings account the bank won't even make a credit or employment check. Take the $100 loan, go to another bank and do it all over again. Go to at least 3 banks doing the same thing. Ask for a 6 or 12 month payment plan for each loan and take your payment account passbook with you each time you ask for a loan because you'll have to surrender it to the bank in order to get the loan. After leaving the third bank you'll still have the $100 cash in hand. Now go to a fourth bank and open a checking account if you don't already have one. Wait two days, then make one monthly payment on each bank loan from your new checking account. Wait a full week and send your second monthly payment to each bank. Repeat one week later with your third month's payment.

Once you've followed my plan you'll be eligible for signature loans, credit cards, home or auto financing, or anything else. A credit investigation at this point will list you as an excellent credit risk. And why not? Within 30 days you'll have an active checking account, three $100 savings accounts and three $100 loans on which you are three months ahead on payments. You'll also have 3 A-1 credit ratings on your credit report. And as you continue reading you'll see that you'll also have a fourth A-1 credit rating from the bank that will issue you your visa and/or Master Card.

By making the first 3 payments you have unfrozen equal amounts of cash in your savings account. You can now withdraw enough money from your savings account to make your upcoming payments. Continue in this manner until the loan Is paid off. You'll still retain most

of your original $100 because it continues to draw interest while used as collateral. This helps offset the interest charges you pay. Try to keep a little money in each savings account for future references.

Credit Scoring System

AGE POINTS

18-21 0

22-25 1

26-64 2

65-69 1

MARITAL STATUS

Married 1

Single 0

Separated 0

Widowed 0

Divorced 0

DEPENDENTS

No Dependents 0

One to three 2

Over three 1

RESIDENCE

Rent Unfurnished 2

Rent Furnished 1

Own without Mortgage 4

Own with Mortgage 3

Live with Parents 1

PREVIOUS RESIDENCE

0 to 5 Years 0

6 Years and up 1

MONTHLY OBLIGATIONS

0 to $250 1

Over $250 0

CREDIT HISTORY

Loan at this Bank 4

Loan at Other Bank 3

Savings Account 2

Checking Account 2

OCCUPATION

Professional 3

Skilled 2

Unskilled 1

YEARS WITH EMPLOYER

Under One 0

One to Three 1

Four to Seven 2

Eight or Over 3

MONTHLY INCOME

Under $600 1

$600 to $1,000 2

$1,000 to $1,250 3

$1,250 to $1,500 4

$1,500 to $2,000 5

$2,000 and Over 6

TELEPHONE

Listed in Applicants Name 2

Not Listed in App's Name 0

In most cases, 18 points is the minimum number of points acceptable if you are to receive an unsecured loan. The factors most leading institutions weigh the heaviest are a good salary, a good paying record and minimal obligations. Some of you can institute this procedure with $300 or $1000 or more. Remember that the more money you use the better your credit report will look to credit grantors.

DO NOT ATTEMPT THIS BANK LOAN PROCEDURE UNTIL YOU'VE GOTTEN YOUR NEW CREDIT REPORT. THIS WAY THE STRONG CREDIT PROFILE YOU'RE BUILDING WON'T SHOW UP ON YOUR OLD CREDIT REPORT WITH ALL YOUR BAD CREDIT ON IT.

Structure of Social Security Numbers

A Social Security Number (SSN) consists of nine digits, commonly written as three fields separated by hyphens: AAA-GG-SSSS. The first three-digit field is called the "area number". The central, two-digit field is called the "group number". The final, four-digit field is called the "serial number".

The process of assigning numbers has been changed at least twice. Until 1965, only half the group numbers were used. Before 1972, numbers were assigned by field offices; since 1972, they have all been assigned by the central office. The order in which numbers were assigned was changed in the 1972 transition. There may have been other changes, but it's difficult to get information on how things used to be done.

Area Numbers

The area numbers are assigned to geographical locations. They were originally assigned the same way that zip codes were later assigned (in particular, area numbers increase from east to west across the continental US as do the ZIP codes). Most area numbers were assigned according to state (or territorial) boundaries, although the series 700-729 was assigned to railroad workers regardless of location (this series of area numbers was discontinued in 1964 and is no longer used for new SSNs). Area numbers assigned prior to 1972 are an indication of the SSA office which originally issued the SSN. Since 1972 the area number in SSNs corresponds to the residence address given by the applicant on the application for the SSN.

In many regions the original range of area number assignments was eventually exhausted as population grew. The original area number assignments have been augmented as required. All of the original assignments were less than 585 (except for the 700-729 railroad worker

series mentioned above). Area numbers of "000" have never been issued.

001-003 NH 400-407 KY 530 NV
004-007 ME 408-415 TN 531-539 WA
008-009 VT 416-424 AL 540-544 OR
010-034 MA 425-428 MS 545-573 CA
035-039 RI 429-432 AR 574 AK
040-049 CT 433-439 LA 575-576 HI
050-134 NY 440-448 OK 577-579 DC
135-158 NJ 449-467 TX 580 VI Virgin Islands
159-211 PA 468-477 MN 581-584 PR Puerto Rico
212-220 MD 478-485 IA 585 NM
221-222 DE 486-500 MO 586 PI Pacific Islands*
223-231 VA 501-502 ND 587-588 MS
232-236 WV 503-504 SD 589-595 FL
237-246 NC 505-508 NE 596-599 PR Puerto Rico
247-251 SC 509-515 KS 600-601 AZ
252-260 GA 516-517 MT 602-626 CA
261-267 FL 518-519 ID 627-645 TX
268-302 OH 520 WY 646-647 UT
303-317 IN 521-524 CO 648-649 NM
318-361 IL 525 NM *Guam, American Samoa,
362-386 MI 526-527 AZ Philippine Islands,
387-399 WI 528-529 UT Northern Mariana Islands
650-699 unassigned, for future use
700-728 Railroad workers through 1963, then discontinued
729-799 unassigned, for future use

800-999 not valid SSNs. Some sources have claimed that numbers above 900 were used when some state programs were converted to federal control, but current SSA documents claim no numbers above 799 have ever been used.

Group Numbers

The group number is not related to geography but rather to the order in which SSNs are issued for a particular area. Before 1965, only half the group numbers were used: odd numbers were used below 10 and even numbers were used above 9. In 1965 the system was changed so assignments continued with the low even numbers and the high odd numbers. So, group numbers for each area number are assigned in the following order:

Odd numbers, 01 to 09

Even numbers, 10 to 98

Even numbers, 02 to 08

Odd numbers, 11 to 99

Group codes of "00" aren't assigned

In each region, all possible area numbers are assigned with each group number before using the next group number. This means the group numbers can be used to find a chronological ordering of SSNs within a region. When new group numbers are assigned to a state, the old numbers are usually used up first.

SSA publishes a list every month of the highest group assigned for each SSN Area. For example, if the highest group assigned for area 999 is 72, then we know that the number 999-04-1234 is an invalid number because even Groups under 9 have not yet been assigned.

Serial Numbers

Serial numbers are assigned in chronological order within each area and group number as the applications are processed. Serial number "0000" is never used. Before 1965, when number assignment was transferred from field offices to the central office, serial numbers may have been assigned in a strange order. (Some sources claim that 2000 and 7000 series numbers were assigned out of order. That no longer seems to be the case.) Currently, the serial numbers are assigned in strictly increasing order with each area and group combination.

Invalid SSNs

Any SSN conforming to one of the following criteria is an invalid number:

Any field all zeroes (no field of zeroes is ever assigned).

First three digits above 740

A pamphlet entitled "The Social Security Number" (Pub. No. 05-10633) provides an explanation of the SSN's structure and the method of assigning and validating Social Security numbers.

This description of the structure of the Social Security Number is based on messages written by Jerry Crow and Barbara Bennett. The information has been verified by its correspondence to the SSA's Program Operations Manual System (POMS) Part 01, Chapter 001, subchapter 01, which can be found at Federal Depository Libraries. (SSA Pub. No. 68-0100201.)

SUMMARY OF THE FAIR DEBT COLLECTIONS PRACTICES ACT

with references to case law

One of the primary credit laws that benefit the consumer is the Fair Debt Collection Practices Act. Here is an overview of that Act, along with references to significant legal cases.

This Law does not apply to the original lender. It only applies to third party debt collectors. That includes collection agencies, lawyers, and any other people or organizations trying to collect a debt which is not owed to them. This includes "mortgage foreclosures."

Case reference: *George W. Heintz v. Darlene Jenkins*, 514 U.S. 291, 115 S.Ct. 1849.

In the first communication, or within five days of the first contact, when a collector contacts an alleged debtor, the collector must furnish a "dunning letter." The letter must state that the collector is attempting to collect a debt, and inform the alleged debtor that they have thirty days to dispute the debt.

All collection activity must stop if the debt, or any part of the debt, is disputed. The debt collector must obtain and send verification of the debt to the debtor. 15 USC 1692g(b). A copy of the original contract is not sufficient to validate the debt.

Validation requires presentment of the account and general ledger statement signed and dated by the party responsible for maintaining the account. The debt collector must actually review the file. 15 USC 1692e(g).

You can require them to show a complete payment history, starting with the original creditor,

in order to determine the amount of the debt. Case law for this is *Fields v. Wilber Law Firm, Donald L. Wilber and Kenneth Wilber, USCA-02-C-0072, 7th Circuit Court, Sept 2004.*

Failing to give notice to the alleged debtor of his due process rights subjects the collector to suit for violation of the Fair Debt Collections Act, and any action to collect without informing the alleged debtor of their of their due process rights, or failure to cease collection activities until validation subjects the collector to suit for damages under the Act and **voids any legal proceedings, including mortgage foreclosures**.

This is very important. I want you to get the full impact of the above statement. So here it is again: violating an alleged debtor=s due process rights **voids any legal proceedings, including mortgage foreclosures**. In other words, the alleged debt no longer exists.

The Act also allows damages if the collector makes false statements regarding the character or amount of the alleged debt. The aggrieved party has one year from the violation of the Act to file suit, or one year from the taking of property by the collector. Under the Act, the aggrieved party is entitled to $1,000 in statutory damages plus **unlimited damages** for intentional infliction of emotional anguish.

Case references:
Bank of the West v. Superior Court, 2 Cal. 4th 1245, 1267, 833 P.2d 545 (1992)
Fletcher v. Security Pacific National Bank, 23 Cal.3d 442, 451, 591, P.2d 51 (1979)

In addition to the above, judgments, including judgments which have been collected and mortgage foreclosures are void by reason of deprivation of due process rights deprives the court of subject matter jurisdiction. There is **NO** time limitation on **VOID JUDGMENTS**. It is possible to recover full damages with each strategy. (double recovery) Award of statutory damages doesn't require proof of actual damages.

Case reference:
Woolfolk vs. Van Ru Credit Corp. D.Conn.1990, 783 F. Supp 274

Crawford vs. Credit Collection Services D.S.D. 1995, 898 F.Supp.699

Damages not capped at $1,000
S*mith v. Law Offices of Mitchell N. Kay,* D. Del. 1991, 124 B.R. 182

The alleged debtor has thirty days during which to dispute the debt, and require the collector to "validate" the debt. Validation of the debt can be a signed judgment order, or an accounting which is signed and dated by the person responsible for maintaining the account general ledger.

Case references:
Spears v. Brennan, Pacific Concrete F.C.U.V. Kauanoe, 62 Haw. 334, 614 P.2d 936 (1980)
GE Capital Hawaii, Inc. v. Yonenaka 25 P.3d 807, 96 Hawaii 32, (Hawaii App 2001)
Fooks v. Norwich Housing Authority 28 Conn. L. Rptr. 371 (Conn. Super 2000)

DEBT COLLECTORS HAVE NO TEETH!

They are all bark, with no ability to bite. That is, if you take control before they file suit.

It is simple to get rid of a third party debt collector, but it may not be in your best interest to do so without first making the debt collector validate the debt. The reason for doing this pretty basic. If the debt collector does not, or cannot, validate the alleged debt, they have most likely nullified it. Furthermore, if they violate your due process rights by attempting to collect a debt without validating it, they have violated your due process rights.

When an alleged debtor asks for validation of the debt, it is the original lender who must provide the validation through his agent, the debt collector. It seems fairly obvious that failing to do so, is a violation of due process rights, and voids any legal proceedings, cancelling the alleged debt. In some of the cases where I have been personally involved, the original lender has never been heard from again, after failing to validate a debt. Prior communications with the debt collectors is something the alleged debtor must bring to the attention of his/her attorney in the event that original lender files suit in a court of law.

CEASING COMMUNICATION. If a consumer notifies a debt collector in writing that the consumer refuses to pay a debt or that the consumer wishes the debt collector to cease further communication with the consumer, the debt collector shall not communicate further with the consumer with respect to such debt, except --

(1) to advise the consumer that the debt collector's further efforts are being terminated;

(2) to notify the consumer that the debt collector or creditor may invoke specified remedies which are ordinarily invoked by such debt collector or reditor; or

(3) where applicable, to notify the consumer that the debt collector or creditor intends to invoke a specified remedy.

If such notice from the consumer is made by mail, notification shall be complete upon receipt.

It would be wise for any alleged debtor to always use certified, or registered mail. Certified mail insures proof of delivery. I'm not certain about registered mail, but I've been told that it is considered legally delivered when you pay for it, but it is quite a bit more expensive than certified.

Furthermore, it is always necessary to make everyone communicate with you, in writing, when it comes to legal matters, except perhaps your own attorney. That way all communication can be verified in a court of law. There is an old axiom which states, if it isn't written, it wasn't said.

ADVISORY: Some people will advise you to immediately send a "stop contacting me" letter when you are contacted by a debt collector. It might be better for you to use the debt verification method first. Remember, if they screw it up, it can void any legal proceedings, including mortgage foreclosures. Granted, the debt collector may report the collection to the reporting agencies, but it is a relatively simple matter to have it removed, later.

I have heard of collectors who have responded to debt validation requests with a summons to appear in court. There is case law *Spears vs. Brennan*, in which the appeals court determined that the collection agency violated 15 U.S.C. ' 1692g(b) when they obtained a default judgment against Spears, after he had notified them in writing that the debt was being disputed. This is why it is so important to do everything in writing using certified mail.

If a debt collector is notified, in writing, that you are disputing a debt, or a portion of a debt, within the 30 day window after receiving the first communication from them, they must not do any type of collection activity until the original creditor has validated the debt.

If a debt collector does validate the debt, immediately write them a letter, telling them to stop all collection activities, and never contact you about this matter again. Make sure you do that right away, **before they can get a judgment against you!** If they do get a judgment against you after validating the debt, you owe the money.

DISPUTE LETTERS

Almost all of us, at one time or another, has had to deal with a big company who has improperly charged us with some bill. Frequently, it's like dealing with a bull dog, or a post. Either way, they just don't listen. Here are some real world examples of dealing with collectors.

This one is a case of a cell phone company which tried to collect on a debt which never should have existed in the first place. After the final letter, they were never heard from again, and nothing was listed on the individual's credit report.

First Letter: March 20, XXXX

XXXXXXXX Cellular, XXXXX

Gentlemen,

I am writing to you concerning my closed account #XXXXXXXXXXXX. On August 13, 1999, I called your office, in front of witnesses, and closed this account. The reason I closed the account was because I opened a new account on the family plan with my fiance, XXXXXXXXXXXXX, account #XXXXXXXXXX.

I threw the old phone away, and paid the account in full after closing it. I paid the final bill on September 2, 1999, with check #6195, in the amount of $241.00. Later, I began receiving new bills from you for this closed account. Enclosed is a copy of the last one.

I've called your office several times to try to have this matter resolved, with very unsatisfactory results. I've been treated with disrespect, put on hold, and transferred to

people's voice mail. The last time I called , Thursday, March 16, I asked to speak to a supervisor and was put on hold for over 40 minutes. Finally, I left another message on someone's voice mail, which I have done several times. Once again, no one returned my call. I've had enough of this.

I don't know what happened, or why you didn't shut off the service when the account was closed, but I will not be held responsible for any charges after the date I closed the account. I paid the final bill in full. Please correct your records to indicate such.

Thank you,

Second Letter:

June 8, XXXX

XXXXXXXXXXXXXXXXX
PO BoxXXXXXXX
XXXXXXXXXXXXXX

Gentlemen:

I am returning a copy of your letter of June 3, 2002, along with the letter from my previous

response to you on February 16, 2002 in response to your letter of January 17, 2002. I am including another copy of the letter I sent to XXXXXXXX on March 20, 2000, concerning this account, which I also sent to you before. I do not owe them any monies.

Sincerely,
XXXXXXXXXXXXXXXX

Third and final letter:

April 15, XXXX

Dear Mr. XXXXXXXX

Enclosed find copies of my response to your two previous letters. The situation has not changed. However, I have been educated on The Fair Debt Collection Act since my last letter to you. You are in violation of it.

Cease and desist contacting me for any reason. Further contact from you will result in an action at law.

Sincerely,

AND THAT WAS THE END OF THE MATTER!

This case was my own personal adventure with a collection agency. As you can see by the letter, the insurance agent should have never allowed this debt to exist in the first place. I had done everything I could to get them to cancel the policy before it was automatically renewed.

I did this before I knew how to write really good dispute letters. Sometimes, "homemade" gets good results.

First Letter: February 8, XXXX

Dear Mr. XXXXX:

I am in receipt of a bill from XXXXXXX Insurance in the amount of $164.13. I don't believe I should owe XXXXXXX anything, or at the very least a minimal payment for no more than three weeks of coverage during October and November. At least twice in the months of October and November, I left messages on your answering machine that you either needed to get my bond re-instated, or cancel my insurance policy. Part of each message requested a return telephone call to let me know what was happening. You did none of that.

I also left messages asking you to return the $175.00 I paid in August to renew my bond in November (see enclosed copy of cancelled check). That has never been done, either.

I am disappointed in your lack of response and level of service. I shall expect you to square away my account with XXXXXXX, and return my $175.00 by the end of this month (February 2005), or I shall forward a copy of this letter and the enclosed documents to the state Insurance Commissioner. If you can not get XXXXXXX to reduce the amount owed to three weeks worth of premium, I expect you to pay the difference, as it was your neglect which caused the overage.

Regards,

Second Letter:

April 7, XXXX

XXXXXXXXX Inc.

Re:XXXXXXXXXXXX

Amount: 170.13

XXXXXX XXXXXXX:

Today, I received your letter dated March 31, 2005 regarding my alleged debt to XXXXXXX Insurance. I hereby dispute this debt.

On two occasions around the time of the renewal date of the policy in question, I left messages on my insurance agent's voice mail instructing him to cancel the policy, if he could not renew my bond, which he could not, or did not. My agent was XXXXXXXXXX, at XXXXXXXXXXXXXXXX I was never able to reach him in person, even though I placed my

calls during normal business hours.

I never received any reply or response to any of my messages. After the policy was cancelled, and I was billed, early in the month of February, I wrote a letter regarding this issue to him. (see enclosed copy) I received a response by a different person in the office, telling me I was supposed to have submitted some written form to cancel this policy.

They were my insurance agents. I relied upon them for all information necessary. They ignored my requests, and accused me of not doing what was necessary. If I needed to submit a form, they were responsible for making me aware of that, prior to the renewal date. I hold them responsible for any debt incurred, due to their own negligence.

I do not owe this money.

Sincerely

enclosures

XXXXXXXXXXXXXXXXXXXXXXX
Re: XXXXXXX Insurance

Amount: 170.13

XXXXXXXXXXX

In my certified letter of April 7, 2005, I asked you to validate and verify that I owed this debt. The information you sent me is insufficient to validate that I have a debt to XXXXXXX INSURANCE. Under the Fair Debt Collection Act, you had thirty (30) days to validate and verify the debt, after you received my request on April 22, 2005. That thirty (30) day window is now closed.

Validation of the debt can either be a signed judgment order, or a statement made under penalty of perjury by an officer of the original maker of the debt. Failure to provide that information in the time allowed voids any legal proceedings. Further collection activities subjects the collector to suit for damages under the Act, of one thousand ($1,000) dollars in statutory damages plus unlimited damages for intentional affliction of emotional anguish.

I want you to immediately cease all collection activities. If you have placed a negative entry on my credit report, by reporting this matter as a collection to any credit reporting agency, correct it. I also ask that you do not contact me again regarding this matter. To do so will be a violation of the Act.

Sincerely

enclosures

THAT WAS "ALMOST" THE END OF IT, EXCEPT FOR ONE FINAL LITTLE THING.

Everyone who was involved in this alleged debt seemed completely stupid. They acted as though none of my correspondence mattered at all. They were hell bent on collecting. After the final letter I received a message on my answering machine one day, in which the collector stated, "I can see we will never resolve this by mail. Call me."

That is absolutely crazy. **NEVER ALLOW ANY OF THESE PEOPLE TO NEGOTIATE BY TELEPHONE**. There is a maxim which states, "If it isn't written, it wasn't said." You must have everything on both sides documented **IN WRITING**.

I actually returned the call to this bozo. I got his answering machine. I left a message stating, "Mr. XXXXX, this is . This is a courtesy call only. Your call to me was illegal. You failed to validate that I owed any debt to XXXXXXXXXX in the time allowed. That alleged debt no longer exists. If you contact me again concerning this matter, I will sue you."

I never heard from them, or the insurance company, again.

REALLY GOOD DISPUTE LETTERS TO SEND DEBT COLLECTORS

PLEASE NOTE: The letters below are dispute letters for debt collectors for different situations. They refer to The Fair Debt Collections Act. Dispute letters to credit reporting agencies are under the authority of The Federal Fair Credit Reporting Act. If you purchased this book, a separate file with these letters in Word format should have been included in your purchase. Adjust the letters for your own situation.

When it comes to validating a debt, court rulings for debt validation under either The Fair Debt Collections Act, or The Federal Fair Credit Reporting Act, may be used for either type of letter.

(**This is a dispute letter to a debt collector for credit cards, mortgage, or other loan)**

Your Name (print certified mail number here)

Your address (date)

The name of the person who sent you the collection letter

Their address

Sir or Madam:

You are in receipt of notice under the authority of The Fair Debt Collections Practices Act regarding your file #XXXXXXXXXXX #OOOOOOO 000000 RMS008. It is not now, nor has it ever been my intention to avoid paying any obligation that I lawfully owe. In order that I can make arrangements to pay an obligation which I may owe, please document and verify the Adebt@ by complying in good faith with this request for validation and notice that I dispute part of, or all of the alleged debt.

1. Please furnish a copy of the original promissory note redacting my social security number to prevent identify theft and state under penalty of perjury that your client named above is the holder in due course of the promissory note and will produce the original for my

own and a judge=s inspection should there be a trial to contest these matters.

2. Please produce the account and general ledger statement showing the full accounting of the alleged obligation that you are now attempting to collect.

3. Please identify by name and address all persons, corporations, associations, or any other parties having an interest in legal proceedings regarding the alleged debt.

4. Please verify under penalty of perjury, that as a debt collector, you have not purchased evidence of debt and are proceeding with collection activity in the name of the original maker of the note.

5. Please verify under penalty of perjury that you know and understand that certain clauses in a contract of adhesion, such as a so-called forum selection clause, are unenforceable unless the party to whom the contract is extended could have rejected the clause without impunity.

6. Please verify under penalty of perjury that you know and understand that credit card contracts are a series of continuing offers to contract and as such are non-transferable.

7. Please provide verification from the stated creditor that you are authorized to act for them.

8. Please verify that you know and understand that contacting me again after receipt of this notice without providing procedurally proper validation of the debt constitutes the use of interstate communications in a scheme of fraud by advancing a writing, which you know is false with the intention that others rely on the written communication to their detriment.

Disputing the Adebt@

Your signature

Your name

Copy to:

Consumer Response Center

Federal Trade Commission

Washington, D.C. 20580

(This is a dispute letter to a debt collector for attempting to collect non-debt)

Your name (print certified mail number here)

Your address (date)

Collector=s name

Collector=s address

In re: (Account and account number)

You are in receipt of notice under the authority of The Fair Debt Collections Practices Act regarding your file #XXXXXXXXX. It is not now, nor has it ever been my intention to avoid paying any obligation that I lawfully owe. In order that I can make arrangements to pay an obligation which I may owe, please document and verify the debt by complying in good faith with this request for validation and notice that I dispute part of, or all of the alleged debt.

1. Please furnish a copy of the original contract redacting my social security number to prevent identify theft and state under penalty of perjury that your client named above is the present holder in due course of the contract for consumer debt and will produce the original for my own and a judge=s inspection should there be a trial to contest these matters.

2. Please produce the account and general ledger statement showing the full accounting of the alleged obligation that you are now attempting to collect.

3. Please identify by name and address all persons, corporations, associations, or any other parties having an interest in legal proceedings regarding the alleged debt.

4. Please verify under penalty of perjury, that as a debt collector, you have not purchased evidence of debt and are proceeding with collection activity in the name of the original maker of the contract for debt.

5. Please verify under penalty of perjury that you know and understand that certain clauses in a contract of adhesion, such as a so-called forum selection clause, are unenforceable unless the party to whom the contract is extended could have rejected the

clause without impunity.

6. Please provide verification from the stated creditor that you are authorized to act for them..

7. Please verify that you know and understand that contacting me again after receipt of this notice without providing procedurally proper validation of the debt constitutes the use of interstate communications in a scheme of fraud by advancing a writing, which you know is false, with the intention that others rely on the written communication to their detriment.
Disputing the Adebt@

Your signature
Your name

Copy to:
Consumer Response Center
Federal Trade Commission
Washington, D.C. 20580

This is a dispute letter to debt collector attempting to domesticate a foreign judgment

Your name (print certified mail number here)
Your address (date)

Collector=s name
Collector=s address

Messrs: In re: (account number)

You are in receipt of notice under the authority of The Fair Debt Collections Practices Act regarding your file #XXXXXXXXX. It is not now, nor has it ever been my intention to avoid paying any obligation that I lawfully owe. In order that I can make arrangements to pay an obligation which I may owe, please document and verify the Adebt@ by complying in good faith with this request for validation and notice that I dispute part of, or all of the alleged debt.

1. Please furnish a copy of the alleged judgment and document that the court file in the original proceeding shows a copy of the original promissory note redacting my social security number to prevent identity theft and state under penalty of perjury that the judgment debtor named was the holder in due course of the promissory note and will produce the original for my own and a judge=s inspection should there be a trial to contest these matters. I also request that the Adebt@ be fully extinguished in the event that I pay off the note by returning the original to me marked paid in full, and signed by an officer of the holder in due course.

2. Please produce the account and general ledger statement showing the full accounting of the alleged obligation that the judgment was based on.

3. Please identify by name and address all persons, corporations, associations, or any

other parties having an interest in legal proceedings regarding the alleged debt.

4. Please verify under penalty of perjury, that as a debt collector, you have not purchased evidence of debt and are proceeding with collection activity in the name of the original maker of the contract for debt.

5. Please verify from the record in the proceedings in case number xxxxxxxxxxx that the record in the trial court established that I was a resident of (name of state), operated a business in (name of state), or owned property in (name of state) establishing the (name of state) Court=s personal jurisdiction over me. If personal jurisdiction was based on a forum selection clause, please give ten examples of parties who were allowed to line through the forum selection clause in the contract of adhesion with the judgment creditor.

6. Please verify under penalty of perjury that you know and understand that contracts which go to the credit of the parties are non-transferrable absent a specific enabling clause fully disclosed at the time of contracting and cite the enabling clause in the contract the judgment was based on. Accompany the document with an affidavit of the party co-signing the contract that the transfer clause was fully disclosed to me.

7. Please verify under penalty of perjury that you know and understand that credit card contracts are a series of continuing offers to contract and as such are non-transferrable.

8. Please provide verification from the stated judgment creditor that you are authorized to act for them.

9. Please verify that you know and understand that contacting me again after receipt of this notice without providing procedurally proper validation of the debt constitutes the use of interstate communications in a scheme of fraud by advancing a writing, which you know is false with the intention that others rely on the written communication to their detriment.

Disputing the Adebt@

Your signature

Your name

Copy to:

Consumer Response Center

Federal Trade Commission
Washington, D.C. 20580

(Follow up letter to debt collection firm)

Your name (print certified mail number here)

Your address

Collection Firm
Collector=s address
Attn: (name of person who responded to request for validation)

Please note for your files regarding your account number #XXXXXXXXXX: your putative validation as per the attached letter is sufficient under the Fair Debt Collection Practices Act if it is free of fraud. Your failure to confirm to my request for validation in full is prima facie evidence that (Collection Firm) is in fact a racketeer influenced, corrupt business organization.

As soon as practical and reasonable suit will be filed against (Collection Firm) with the objectives of a federal district court order dissolving (Collection Firm) and compensating all who have been similarly defrauded by (Collection Firm) treble damages.

(Collection Firm) can mitigate the RICO suit by affirming in writing and under penalty of perjury that (Collection Firm=s) demands to me to pay (Collection Firm) money were a mistake of fact.

If I do not hear from (Collection Firm) confirming that, after a careful search, I am not indebted to XYZ Corporation@ in a sum of $XXXX, I shall reasonably conclude that (Collection Firm) is acknowledging my right to seek judicial remedy under 18 U.S.C. ' 1964(a).

This is the only superseding communication you will receive prior to suit.
Sincerely,

Your signature
Your name

(Include a copy of the original dispute letter to them)

(Dispute letter explicitly for credit cards)

Your name (print certified mail number here)
your address (date)

Collector=s name
collector=s address

Mr. Jones:

You are in receipt of notice under the authority of The Fair Debt Collections Practices Act regarding your file #000000000000000000. It is not now, nor has it ever been my intention to avoid paying any obligation that I lawfully owe. In order that I can make arrangements to pay an obligation which I may owe, please document and verify the Adebt@ by complying in good faith with this request for validation and notice that I dispute part of, or all of the alleged debt.

Please furnish a copy of the original contract complicit with 9 USC 4 showing that I entered an arms-length agreement with (credit card company) requiring that I submit to binding arbitration in the event of a controversy between myself and (credit card company) . Please be aware that Aenvelope stuffing@ of amendments to contracts has been ruled impermissible under the law.

Please be informed that misrepresenting the character and amount of an alleged debt is a violation of the Fair Debt Collections Practices Act warranting suit against you as an individual. Please also be aware that two or more incidents of mail fraud would warrant suit against you as the predicate actor and (debt collector)as the ARICO@ enterprise under authority of 18 USC 1964(a).

Thirty days from the verifiable receipt to this letter your silence shall verify that you know and understand that the so-called arbitration award alluded to in your (date) is a sham and fraud and

agree never to contact me ever again.

Disputing the debt

Your signature

Your name

Copy to:

Consumer Response Center

Federal Trade Commission

Washington, D.C. 20580

If you do not get the results you ask for when sending these letters, file a complaint with the Federal Trade Commission and your state Attorney General's office. Make your complaint letter short, and be sure to include copies of all correspondence concerning your complaint.

Sometimes the credit bureaus will attempt to charge you for reinvestigation. It's not legal. Don't allow them to do it.

CREDIT CARDS FROM NATIONAL BANKS ARE NOT LEGAL

Read this interview very carefully, with the mind set that you can use much of the information presented here in other aspects of dealing with credit problems.

The following is an interview with an attorney in Washington State who specializes in elimination of unsecured credit-debt. He has extensive knowledge and experience and is a leading expert on the topic of debt-related litigation. You may need to take printed copy of this interview to an attorney in your area if you wish to use this information.

NOTE : This attorney has been disbarred since this interview. I do not think that it had anything to do with his dealings with credit card debt. Other attorneys are still using this strategy as part of an overall strategy.

– – – – –

Gary: Hi Bruce, how are you?

Bruce: Good. Thanks.

Gary: Bruce, I know your time is important, and we are going to keep it at a minimum, but I want this interview to be complete, in order to avoid looking back and saying something like, "Oh we should have asked that." All right, why don't you give me a little background on how you came to find out about this debt litigation?

Bruce: I was introduced to various debt litigation and reduction strategies over the past few years. I already knew about the obvious choices, such as bankruptcy, consolidation, and negotiation. I had never heard of others until relatively recently, which are more conspiratorial based, such as "illegal fractional banking within the Federal Reserve," creating a "straw man" within the Uniform

Commercial Code, and validation/verification arguments.

So, within all those strategies you have some problems: bankruptcy and refinancing your home in order to pay debt is often unpalatable, whereas, the conspiratorial strategies have no basis in law or fact.

Gary: Can I stop you one second? I wanted to clarify something up front, which is, can we assume that I know nothing about this topic? So, as you explain things please make it as clear and simple as possible.

Bruce: I will try.

Gary: You mention that some of these debt elimination companies essentially argue to negate the legality of the tender?
Bruce: Right.

Gary: That's a really popular one.

Bruce: Yes. Part of the problem is failing to understand what law is. From the perspective of a marketer or promoter the conspiratorial theories make perfect sense. But the fact is many people routinely jump to the wrong conclusions about the law. So, what is law? Law is more than just the US Constitution, state constitutions and statutes. It is also court decisions and administrative codes at the federal and state levels. All of these aspects of law have to be considered before coming to a conclusion about what the law is, and even then you may be wrong. Often, you are going to see the most comprehensive description of what the law is in a US Supreme Court opinion, or in an appellate opinion.

Gary: So, actually it is legal for credit card companies to do what they are doing?

Bruce: I didn't mean that. I meant that some of the strategies out there to ostensibly terminate a credit card, student loan or mortgage are invalid because they are based on theories that are

unsound. One of those theories is that the money loaned by the bank is fiat money.

Gary: Gottcha, but hold just one second. What exactly is fiat money?

Bruce: Fiat means a fake creation, or a creation of something by arbitrary power, or doing something without authority.

Gary: Like for example if I go out and print my own money.

Bruce: Exactly. Counterfeiting is a pretty good analogy at the personal level. Governments can engage in fiat activities as well. Take for example the Vietnam War. It was a fiat use of executive power "a usurpation of Congress" authority. So the concept of fiat authority can be seen in numerous different areas of government, military and civilian. But the idea of fiat money is basically "fake money." Money that is not backed by a gold standard, by silver or even the full faith and credit of the people, rather it is backed by nothing. Many argue that our monetary system itself, not backed by gold, but rather by the "full faith and credit" of the American people is fiat money.

The problem with that theory, if you argue it in court, even if the judge agrees, is that the system is legal. It may not be right, ethical or even moral . . . but it is legal. Taking a home mortgage loan as an example, proponents would argue that they do not owe the bank anything, because the money the bank loaned was actually the borrower's money, not the bank's. The bank only created a book entry, then borrowed against that book entry to create the money loaned; essentially using the credit of the borrower to create money to loan back to the borrower. As real as that example is, and as strange as it sounds, the fact is, that law supports it. So you can(t use that argument to get out of a debt.

Gary: Interesting. Now let's talk specifically about credit cards. Tell me what it is that you do.

Bruce: We came across a strategy of a couple marketers who were arguing successfully against the validity of credit cards issued by national banks based on the US Code, the US Supreme Court, federal appellate courts as well as state court decisions at all levels and in many states.

The argument is complex, but not difficult to grasp. As a prelude, keep in mind that the theory only applies to national banks, such as Capital One, Providian, MBNA America, Sears National Bank and so on. It does not apply to banks chartered by a particular state.

National banks are creations of the federal government. They are only allowed to engage in activities expressly authorized by Congress. These are naturally called express powers. They are also allowed to engage in activities incidental to what is specifically authorized. These are called incidental powers. As a simple illustration, since a bank is expressly authorized to engage in the lending of money for interest, but is not expressly empowered to purchase real estate. The incidental powers section would kick in, allowing the bank to buy property and build a building to open offices.

Thus a bank's incidental powers allow them to do things in direct support of their express powers.

The first priority of a national bank is to protect people's money. And we will come back to that later. In order to protect people's money the bank has to be able to make money, and so the federal code describes the legitimate type of moneymaking activity that a national bank can engage in.

So with that said, numerous times over the past hundred years or so, national banks have attempted to engage in activities under the incidental powers section, that upon court review, after lawsuits and litigation, have either been rejected or approved as legitimate activities. One of these particular areas where they were rejected is in the arena of lending of credit, becoming a guarantor or becoming surety for a third party.

Both federal and state courts have emphatically rejected the idea that a national bank can lend credit, guarantee another's debts or act as surety for a third party. These three concepts summarize what a credit card relationship is; lend credit, guarantee, surety. And the courts have said that the National Bank Act does not allow it.

Gary: That's because it's not expressed?

Bruce: Yes, because it is not one of the express powers.

Gary: So, when a national bank loans credit they are doing it outside the code?

Bruce: In my opinion yes. It is outside the express powers granted in the code. Additionally, the authority to loan credit does not arise through the incidental powers section of the Act.

Gary: What does that mean, "arise through incidental powers?"

Bruce: Rising through incidental powers means that because a bank is expressly allowed to, say, "loan money for real estate transactions" it would then follow, that the bank could set the interest rate. In the case of lending credit, since there is no express power to do so, it is impossible for that ability to "arise" under the incidental powers section.
Gary: So, the lending of credit has simply gone unchecked, probably because it is so profitable; and what you are saying here is that national banks basically cannot issue credit cards.

Bruce: Right, that is what I think, and we are specifically talking about national banks.

Gary: And if they can't, how come I get 15 phone calls a week and seven applications in the mail every week? Why is that?

Bruce: Well, that is a bit of a mystery. The US Code has not changed and the US Supreme Court has not reversed itself on this issue. But, at the same time, banks are an extremely powerful lobby and they are big donors to political campaigns. And like any other corporation they are always looking to make more money. They saw an opportunity back around the 60's to engage in credit lending through credit cards and simply went out and did it. Congress and the law enforcement arms seem to have just turned a blind eye.

What Congress should have done, if they were going to allow the banks to engage in this activity, is change the law. But they did not. And so, from my point of view this has sort of been a process of

osmosis to the point we are today that all national banks do this as a matter of course. Now the banks and Congress are in a bit of a Catch-22. If they change the law, then they are essentially admitting that what was previously done, over the past 30 years, with billions of dollars exchanging hands, was essentially wrong and done outside the law.

Gary: This concept isn't well known. I'm sure that if it were then there might be enough pressure to fix things.

Bruce: Yes. And what is interesting to me is that most people are happy with their credit cards. The typical reaction is something like, "Heck, I have a few credit cards and like them!" It is not until they get into trouble, and start getting beat up by debt collectors, and bankruptcy begins to loom that they look for alternatives.

Gary: Let's talk about that for a second. I agree with you, but I know that this is going to come to a shock to people; I take a very liberal view of the way that banks operate. Meaning, I am all for free enterprise, I am all for companies making a profit, but again, I find that especially with big credit card tactics, it borders, in my professional opinion, on legal loan sharking.

Bruce: Just think of the interest you pay. Eighteen percent is pretty low.

Gary: And the credit card company(s tactics are so brutal. It's almost like, "Here, smoke some free crack." Get a person hooked and then reap the rewards, as the addict pays you for life. The banks extend $1,500 or $5,000 to someone who may take a year to actually get that amount of cash in their hand . . . it's like giving a loaded gun to a child. Eventually they are going to point it at themselves. And bingo, the banks have a customer for life. I suppose it is different if I am paying my bill in full monthly. But what about the person over their head, making minimum payments? How can they ever get out of debt?

My first job out of school was at one of the largest banks in New York. And I was not at a branch office; I was at the main office. The number one department in terms of revenue was the credit card department. Number two was collections. We had a great scenario: Issue the card, customer falls

behind, hammer them in collections, sell the debt to another company, and acquire the debt later on after it is caught up. We were renowned for the whole process.

This solution, that is how I view it, is not for everyone. But it is for those who find themselves in an ever-worsening situation. It is sad because I have talked to people that say they cannot live without their credit cards. They don't seem addicted, but they need that extra wiggle room that a credit card gives them. Which means by definition that they are not making full payments . . .

Bruce: . . . Which means they are getting killed on interest payments . . .

Gary: And you know, it always seems to catch up to them eventually.

Bruce: And when it does the banks are obviously not going to casually let you off. They will insist that you signed a contract and demand that you pay up. A big question is whether or not you actually did enter into a valid contract. Did you have full knowledge? Probably not, unless you already knew everything in this interview. So, was there parity between the parties? Consider that they've got Masters, PhD's and doctorates in marketing and psychology. They know how to seduce you. They know how to get you to do something that is not in your best interest.

A friend of mine put it this way, "As bad as the whole game is, there is actually a very sound, and even biblical concept behind it. Banks recognize your value. So the question is, do you know how valuable you actually are?"

Why is it that a bank is going to send 25 credit card applications to a senior in college who hasn't worked a day in his life, except as a dishwasher, but who is about to graduate as an engineer? Why is it that they send so many applications to the younger crowd?

Banks know how valuable you actually are. They translate you into X amount of hundreds of thousands of dollars in interest payments through the course of your lifetime. A bank views you as a very, very valuable commodity.

Gary: They put a dollar sign on your forehead.

Bruce: How do we view ourselves? If we don't view ourselves at least as valuable as a bank does, then we are wide open to their seduction.

Gary: Have you found it odd, that over the past 10 years, when the economy was really growing that you were being offered higher and higher credit lines?

Bruce: Exactly. It is a weird paradox. The more money you make, you would think the less credit you need.

Gary: I can tell you that I have met plenty of people with credit limits higher than their income capability.

Bruce: Banks are sensitive to the economy. Their first objective is no longer the safe keeping of customer's money; rather it is the opportunity to make money. So when the economy rocks, the banks will offer as much credit as possible, and when people are flying high, they will accept it.

Gary: I'm going to play devil's advocate for a second along that point. Let's say I am not in the business of what is in the best interest of my customers, rather I am in the business of what is most profitable for my bank. Wouldn't then all this make sense?

Bruce: Generally, I would agree that, that position is OK. However, a national bank's charter requires that they protect customer's money first, and then make money second. National banks are only allowed to make money in order to protect people's money; so one serves the other, but the priority is to protect.

Gary: So if I were in trouble and was about to lose my house I would go out and get a job, not necessarily because I liked to work, but rather so I could protect my house, which is an example of one function serving a higher one.

Bruce: Exactly, and when this natural (and legal) order gets out of balance, all kinds of negative things can happen. For example, the Savings and Loan crisis. During that era a very powerful lobby succeeded in lowering certain lending ratios in order to make more money for the S&Ls. Ultimately, because things rapidly got out of balance, the move precipitated a complete collapse. Thankfully, the collapse did not spill over into other areas of the financial sector, but it could of.

Whenever banks push beyond traditional limits this result is duplicated. It happened in Beirut, Lebanon, in the 70's. Beirut used to be the Las Vegas of the Mediterranean. But when bankers lobbied to change the ratios, the whole thing collapsed. So when you are talking about the importance of a bank being able to make money, I agree, but that goal must be subordinated to protecting people's money.

When a national bank fails to protect people(s money as its first priority a huge ripple effect can take place. Why this exposure in the form of credit card lending has been allowed to happen is a mystery. The point for us today is that it creates an opportunity for people buried in credit card debt.

Gary: I did a little survey and I spoke to about 25 people, not one person had any clue that this was available.

Bruce: No surprise. Here is another interesting perspective. In securities law, the most important requirement is full disclosure. Investors, have to be given the full scoop. You cannot hold anything back. Everything "lawsuits, criminal records, market share, and debt" has to be disclosed. This same type of disclosure is required in the Truth In Lending Act as well. With that said, why is it that no one has ever heard of this legal argument? Well, probably because they have not been told. But, don't you think that it is important and relevant to tell potential credit card customers, as well as bank shareholders, that according to the US Code and numerous judicial decisions, it is questionable whether a national bank is actually authorized to lend credit, become a guarantor, or become surety? They should at least say something to their customers and shareholders along the lines of this, Disclaimer: We, the bank, are lending credit, guaranteeing debts and becoming surety, through our credit card business, for profit. The Comptroller of Currency approves. Congress has been silent in recent years.

However, both federal and state courts in the past have repeatedly told us that the National Bank Act does not provide for this activity. Therefore, at any point in the future, the bank could be subject to either federal or state cease and desist orders. In that event the bank will require immediate and full payments and will cancel your credit. Further, the bank may be exposed to civil lawsuits from all its former credit card holders and shareholders.

Gary: Pretty strong, but definitely informative. If they included that, it would probably show up on page seven, in three-point type. Who is the Comptroller of Currency? That is within the US government?

Bruce: Yes.

Gary: That person doesn't have the right to override Congress . . .

Bruce: Of course not.

Gary: What code is the banking code that was created by Congress?

Bruce: The National Banking Act, in the late 1800s.

Gary: So we are talking about something that has been on the books for a hundred years.

Bruce: Oh yes.

Gary: Let's say for argument's sake, after the entire act was written in the late1800s, that they could not envision credit cards. So maybe there is room. Maybe the banks are right.

Bruce: They probably did not envision credit cards and ATMs specifically but they could easily envision lending credit. That concept has been around for thousands of years, so it is not like Congress was taken by surprise. Consider that the concept is in the Bible, specifically the Old

Testament. "Do not become surety for your neighbor." A credit card is simply an easy way for a bank to lend credit, guarantee debts, and act as surety, all for profit. National bankers are not stupid.

They pressed the limits immediately and were rebuffed by the courts. It is almost impressive. They never gave up. Years later, when the law was looking the other way, they do it anyway.

Gary: Lets start again. You are saying that the US Code does not allow a national bank to issue credit cards, based on the fact that there is no express power given them to do it. Additionally, there is no authority to issue them through incidental powers. Meanwhile, they do it anyway from a profit motive, even though it flies in the face of their primary duty to protect people=s money.

Bruce: That is my position.

Gary: OK

Bruce: The express and incidental powers section is located at 12 USC Section 24, and you summarized the argument pretty accurately.

Gary: OK, I guess my next question is based on that fact, and I know this is on the minds of a lot of people. This is some powerful stuff.

Bruce: People have gotten used to credit cards. Cards are convenient and everybody has them. Meanwhile, everybody is happy, that is until they get in trouble and have the bank enforcers breathing down their necks. We have presented the express and implied powers argument numerous times in both courts and arbitration. The banks have been given notice to respond and whenever they do it is with silly and ridiculous arguments. True we do barrage them with fairly potent arguments, and lots of legal citations, but you would think, after all they are the bank, with plenty of attorneys who have
been thinking about this topic, you would think that their responses would be a lot better. But they are not!

Top debt collecting law firms do not respond substantively, rather they dodge the issue, or say things like, "That's irrelevant," "We are a billion dollar institution and a lot bigger than you," or "We've been loaning credit for so long we're allowed to do it." If they respond at all to the cases, it will be something along the line of, "You took those cases out of context." Strange . . it's a 40-page opinion; you cannot insert the whole case into the brief so we quote and cite relevant portions.

Gary: Why don't people understand it?

Bruce: Well, the top debt collection law firms and the bank's internal counsel do not seem to understand it, in that they have not convincingly rebutted our arguments, and they are in the loop so to speak. For your average person out there who is in trouble you cannot expect them to be up to speed.

Gary: How can an arbitrator or judge understand it?

Bruce: That is different. Our judicial system does not require that a judge fully understand the topic before hearing a case. That is because the attorneys on either side are supposed to do it for him. The end result is that arguments on both sides are supposed to be presented that are thought through. At that point the judge or arbitrator has a fairly easy job of making a decision, with all the facts and law before them.

Gary: What percentage would you say goes to arbitration versus to court?

Bruce: Well, it depends on the circumstances. For example, usually the bank will not just take you to court out of the blue. Typically they do that only as a last resort. You know, after 28 demand letters and total default, with quite a bit of time going by.

Gary: Right, then obviously that will become a court proceeding. How about the average person? Lets say they can only make their minimum payment; which means they will be in debt for life.

Bruce: In that case, they are current. So, they would go to arbitration. What we do is first make sure the card the client is in trouble with originates from a national bank. Second, review the cardholder agreement to see if there is an arbitration clause. If the answer is yes to the above then we move it ahead to arbitration. As an aside, you cannot go to court right out of the gate anyway if there is an arbitration clause. You have to go to arbitration.

Gary: Doesn't the agreement state which arbitration forum you go before?

Bruce: Typically yes, but not always the same way. There will be everything from a required arbitrator or choices of three arbitrators, to mutually agree upon arbitrators or none listed.

Gary: Check this out. Since we first spoke about a week ago, I asked my wife to try and find our credit card cardmember agreements. We couldn't find a single one and I have five credit cards. It turns out that a friend of mine had one. So I borrowed it and began reading it carefully. It's amazing how the credit card cardmember agreement waives your rights. It's easy to understand why people sign. You are anxious to get that credit, you want that card, you are thinking about all the stuff you can buy and the money you can spend. You are most likely not thinking about all the debt you will incur and also not thinking about what the agreement says.

Bruce: The banks are biased of course.

Gary: Tell me how they are biased. We are talking about the arbitration process?

Bruce: The banks are obviously biased in that the agreements may provide a certain degree of disclosure, but they are intended to be difficult to read. After their entire objective is to make money, not to terrify potential customers. But what is not obvious is that many arbitrators that the agreements require you to use are biased as well. The banks know this ahead of time and of course fail to disclose it. That is one reason why I say fairly confidently that they are biased as well. But relative to the actual arbitrators, the National Arbitration Forum is a real popular one with the banks, the NAF was asked, "Why is it that 99.8 percent of the time you rule against the debtor and

in favor of the creditor?" They basically said, "Well, it's a banking relationship so obviously the debtor is wrong."

Gary: Regardless of the facts?

Bruce: Apparently. The same arguments that we have put forth in court and to other arbitrators are routinely ignored by NAF. With the NAF it doesn't matter what your argument is the outcome is predetermined.

Gary: That is incredible. If we entered into a contract and you waive your right to jury trial, waive your right to court proceedings, and we agree to arbitrate, but I require, based on this contract, for you to use my brother Phil as the arbitrator, or the company that I provide 95 percent of their business to, that seems incredibly biased. Doesn't a judge, or prosecutor, or even a juror have to excuse him or herself if they know me, for example?

Bruce: They may have to.

Gary: Don't those relationships have to be disclosed?

Bruce: Yes, and that is why, when we had a case where a big debt collection law firm was attempting to confirm an arbitration award from NAF, that when we put forth a good argument, the firm withdrew their complaint and the case was dismissed.

Gary: Because of the cozy relationship with the NAF?

Bruce: Yes.

Gary: Have you ever seen anything like that, a 99.8% win ratio, that can't possibly be right?

Bruce: It is amazing, especially because that statistic covers every type of debtor-creditor argument that comes before NAF. It doesn't matter what the substance of the dispute it is.

Gary: Anything under the umbrella?

Bruce: Apparently. The bank is always right and you are always wrong.

Gary: When someone's credit card agreement specifies arbitration through NAF what do you do then?

Bruce: Well, we definitely try to avoid arbitration through the NAF. We would strive to arbitrate through an organization completely unrelated to the bank. If you are thinking, "Wait, how can you do that?" It is moderately complicated but at the same time fairly straightforward. If there is an arbitration clause, and the NAF portion was stricken out, say for adhesion and unconscionability, we are left with an arbitration clause with no arbitrator designated, and no mechanism for determining one, so the moving party simply chooses one. If the other party does not like it then we can react two ways; nice or tough.

Nice would mean that you ask them whom they would suggest. Tough means that you stick to your guns: The agreement requires arbitration. There is no arbitrator designated. There is no mechanism for choosing another. The moving party has chosen one. Any ambiguities in the contract are read against the bank that wrote it.

Gary: Then you point out to the arbitrator the 99.8% kill rating?

Bruce: Yes, we use a legal brief to argue our side of the jurisdiction dispute, and if they don't argue successfully against us then the arbitration moves forward.

Gary: Now for everyone reading this interview we had a conversation last week where you clarified some misconceptions I had. I was thinking, you know, you go through this arbitration process and you guys come prepared with all your briefs and a little courtroom type setup and you guys have all your books and your arguments all stacked up and the banks walks in with an army of lawyers . . . and then you told me that they hardly ever even show up.

Bruce: Exactly, so far the only time they truly show up for battle is in civil court, particularly when they are the moving party. In other words, when they sued our client. But that is different than arbitration. First off, there is no "day in court," so to speak, meaning that there are no oral arguments. Rather, it is all done through documents. And second, often they do not even respond in arbitration, much less to the substantive claims. They may dispute jurisdiction, meaning our choice of arbitrator, but they often simply blow off answering the complaint and disregard filing argument briefs.

Gary: Right so we're talking, they don't even respond?

Bruce: Yes, exactly.

Gary: I mean not show up physically, but they don't even respond in writing?

Bruce: Yes. Instead they will harangue the debtor with more collection calls, demand letters, threats and so on. Meanwhile, they are ignoring their own mandated arbitration procedure that the debtor has taken advantage of. Why is this? I am not sure. They may be thinking the guy will go bankrupt anyway, so why bother? I suppose in other arenas and in other types of disputes perhaps credit card companies would put forth their arguments but we just simply have not yet seen it very often in this environment.

Gary: You would think that they would respond?

Bruce: I would think so, and without a response the bank is going to have a default award against them. It is just like in any court action. Here's an example: You get a ticket for speeding and you go to court with your, "dog ate my homework" excuse. But behold, when your case is called, the police officer is not there. Now what does the court do?

Gary: They throw it out. No more speeding ticket.

Bruce: Right. There is no evidence, no testimony, no proof, so there is only your side to the story, therefore the case is gone. Here is another example to put things in perspective. There is a divorce happening and one party is accusing the other of violence, child molesting, drug dealing, alcohol abuse and so on. They argue that they're soon to be X shouldn't be allowed visitation rights. Well if the accused does not show up in court to dispute the allegations the judge will award the motion. Once again that is called a default. In the same manner, if the credit card company does not dispute claims in the arbitration forum, wherever that is, then an award against the bank will be issued, because the bank, like the alcoholic, drug-dealing, wife-beater did not show up. By the way, that happens constantly. The Respondent, which in this case is the bank, will have about 15 to 30 days to respond to an arbitration notice.

Gary: Ok. So now what is the difference between a zero balance and an arbitration ruling?

Bruce: Well, typically we are asking for several things when in the complaint. First, we are making a several fold argument. The US Code does not allow them in their expressed or implied provisions to loan credit. Therefore, the agreement is ultra virus, or beyond the scope of the banks authority. An ultra virus agreement is void; the classic law school example is that you cannot enforce a contract for a murder . . .

Gary: Another example would be my seven-year old daughter. Minors cannot enter into contracts correct?

Bruce: Right

Gary: She enters into a contract to buy a car. That contract would be void.

Bruce: Completely void. She cannot enter into a contract. The same way if your wife is not on the title, she can=t sell the house. National banks cannot loan credit. The more money and power banks have, the louder they yell, and people do not know that they have a chance to stand up to them. They think that if they end up in debt, they have to pay it off, have a bad credit rating, and possibly deal with collections and repossessions. But we should always go back to what the law

says.

The law is the standard regardless of race, sex, religion, or amount of money. This is the standard and it needs to be complied with. That is the idea of the woman holding the scales blindfolded. We are simply weighing out the evidence and not looking into issues of power and prestige. If the banks were smart, they would claim that the contract is in fact, ultra virus but you, the cardholder, received a benefit anyway, and therefore cannot raise the ultravirus argument.

We would not stop there. We would then say, the bank is correct unless there are penalties and forfeitures attached to what they did. In this case there are. In fact there are penalties attached to national banks going beyond their express powers in that they are exposing depositor's money to loss in contradiction to the bank's primary duty. Therefore, we can raise the argument of ultravirus and not only is the contract void, but even if we did receive a benefit, we were not unjustly enriched.

If the contract is void then both parties walk away as if there never was a contract. The judge is then asked to declare a zero balance and deem it as paid as agreed. This demonstrates that the bank took unfair advantage of you and results in the bank being penalized. Typically, we will also ask for a financial award against the bank in the amount of the debt forgiven.

Gary: This blows me away. Not only will I be zero balancing my credit card but also I am going to win a judgment against the bank for the dollar amount I originally owed. And if I understood you correctly, having a zero balance is not enough. But getting the judgment insulates you. Can you go into detail about this?

Bruce: Let's say hypothetically that the bank charges the card off and sells it to a debt collector after the award is granted. The debt collector will write you an official looking form letter giving you 30 days to dispute the validity of the debt before they institute collection efforts. You would send them a copy of the award along with a cease and desist letter. The letter says something to the effect that the issue has been arbitrated and there is an award in your behalf.

Further, if they persist in collection efforts you will hold them responsible for the debt that they

purchased, after all the collector purchased the debt along with all rights and liabilities that go along with it.

Gary: You also mentioned to me that these collectors will often hop on the phone and start making harassment calls to me, but once I make them aware of the award, and that I do not want to be contacted over the phone . . .

Bruce: Like I tell my clients, you should rejoice every time your phone rings and it is a debt collector. Once you make it clear in writing to the collector that you do not want to called, and if they persist, then every communication is a violation of the Fair Debt Collection Practices Act, which governs the activities of debt collectors, and provides for a $1,000.00 penalty per violation.

Gary: Just to be clear, this only applies if you have a zero balance and an arbitration award.
Bruce: Actually no. Even if you are current on your cards, or only slightly behind, and you tell them not to call, they are prohibited. If they persist and call you anyway, or show up at the doorstep, then those communications are violations of the Fair Debt Collection Practices Act. So, in other words, a creditor cannot collect from you verbally unless you let them. Even if you are not in arbitration or a civil dispute, there are still rules that must be obeyed.

Often, when you tell the bank you only want to be contacted by letter, or you want more information about the debt, as in proof that the bank is legally allowed to loan credit, they would send it to collections immediately.

Interestingly litigating Fair Debt Collections Practices Act violations, just as in the case of the initial ultra virus argument, can be done through arbitration. Let's say during the process of arbitrating the initial complaint against the bank, you received 15 phone calls from them, after being told not to. You could move against them in arbitration, and potentially receive an award, if you can prove they called, for $15,000.00, which is $1,000.00 per violation. (*see court case earlier in this book that allows more than $1,000)*

There are numerous directions you can go after that but some people just want to stop and some

want to move forward. Let's say you want to move ahead and collect that $10,000 judgment or $15,000 judgment for debt collection violations. What you do at that point is move to confirm the arbitration award in civil court.

As an aside, you cannot take an arbitration award to the local sheriff and have him impound the bank's account. The court can do that but an arbitrator cannot.

The process for enforcing arbitration awards is as follows: You file your case with the courthouse and motion them for an order to uphold the award. The court sets a hearing for 30 days, but, as an example, in Ohio, the law doesn't require the opposing party to be notified of the hearing more than five days before it. So in the case of some national banks, you file your motion and then send them notice five days before the hearing.

Well it will take them 20 days just to figure out what desk it goes on. At the day of the hearing you show up and ask the court to uphold the award. Meanwhile, the bank may or may not show up. If they do, you argue the procedural validity of the arbitration award. In other words, you tell the court that the bank was notified, they had a chance to respond, they either did or did not, you filed a brief, and the award was in your favor. If they do not show up, the court will generally give you what you ask for by default.

Gary: Once you get that court order it is collectable. Now at this point it is too late for them to attempt to challenge this in court because they had ample time and did not. Is it too late, or can they still challenge it? **Curt=s Note:** If there are any defects at all in the court proceedings to obtain a court order, (there almost always are) the court order, or judgment, can be challenged as a AVOID JUDGMENT.@ Void judgments have no statute of limitations.

Bruce: There are always appeals. But the further the process rolls along the harder and harder it becomes to overturn.

Gary: I would like to walk through the process for a second. We talked about express powers and incidental powers. We talked about ultra virus. We talked about penalties and forfeitures,

arbitration and the Fair Debt Collection Practices Act. What is your success rate?
Bruce: Pretty good. I do not want to give a percentage, to avoid creating undue expectation, but pretty good. In fact all too often the banks do not even respond, which results in default judgments against them. When they do respond, their arguments are often silly. In court we do not fair as well.

Gary: Now when you say "in court," what do you mean by that?

Bruce: All of our cases that are in court are situations where the bank filed a summons and complaint prior to the client hiring us. Sometimes we were not hired until months after the complaint was served.

Gary: The bank sued the person then they hired you. That person is different then the individual reading this.

Bruce: And we see numerous different variations. For example, I brought up the person that received a notice of confirmation for an arbitration award. That was in court. That was a win. We have received others, where the client has been in court for 18 months already and has put forth a slew of conspiratorial arguments and then hired us when they were not working. We attempted to amend their arguments and switch the debate but we failed. You see, after you Answer a Complaint, you only have a certain period of time available to amend your Answer. After that time runs, it is often to late to amend.

We have had others where we received the summons and complaint fresh within the 20-day response period. We have seen those run through the entire process. Here is an example. A case went all the way through to a summary judgment hearing, which is one of the last benchmarks before a full-blown trial. Other benchmarks are the Complaint, in which you have 20 days to answer. After your Answer is filed you enter the discovery phase.

In this phase you send interrogatories and requests for document production. Depositions, if any, occur here as well. You might send requests for admissions as well. After all that if there are no

factual issues remaining the suit will proceed to summary judgment. That means that the court is making a decision as a matter of law. None of these credit card cases should require an actual trial because there should not be any factual issues. We are arguing that they never had the right to enter into the credit card agreement to begin with and the ramifications thereof; we are not arguing that we did not get the card and use it. Therefore, you don't need a jury. The judge can make this decision. Thus it goes to summary judgment.

Anyway, the client I mentioned went to summary judgment and the judge ruled against him. There are a lot of interesting aspects to the case that illustrate several points. We filed about 20 interrogatories and made several requests for documents. The bank only responded to five interrogatories, and that was after a motion to compel. No documents were ever produced, and the portion of the motion to compel asking for sanctions was ignored. We also asked for about 20 admissions. These were ignored as well. Consequently, we felt we had a pretty good case, as non-answered admissions are treated as if they had been answered affirmatively.

For example, we asked the bank if they loaned credit, if they knew they had no authority, if it was an ultra virus act, if they were required to disclose but did not, if they were "estopped" from arguing unjust enrichment . . . in other words our whole case was proven. The judge ruled against our client anyway. The bank's attorney was asked why he did not respond. He basically said it was too much work. The judge let it slide when he should have sanctioned the attorney.

The case is on appeal now. A load of lessons was learned in that case, but probably the biggest is the realization that this is a very hot potato issue. Most judges will prefer to rule against our arguments simply because of the ramifications. And, if an attorney does not represent the client then judges do not seem to give them any respect at all.

Gary: The court cases where you were not victorious, they started before you were involved?

Bruce: A lot of them.

Gary: That is a very valid point because as we said before this is not for everyone. Now I'm sure as

an attorney, you're not going to discriminate against people and only take cases that you know you can win. If someone requests your legal expertise then you're going to give it everything you have. However, the further along in the legal process, the stronger the potential for defeat.

Bruce: Yes that is true. But also, different options become available. For example, we had a client who had been fighting with a couple banks for years with conspiratorial arguments. We picked him up about six months ago and succeeded with one of the cards, primarily because the court threw out all the old arguments and sent it to mandatory arbitration. The result of that was we were allowed to pick the case up as if nothing had happened previously. At that point though the client just threw in the towel and decided to declare bankruptcy, which ultimately discharged all the unsecured debt.

Gary: So obviously the person who would be the best to take advantage of this would be someone who is current with their credit card debt?

Bruce: Most likely. Current meaning just making minimum payments or slightly behind but there has been no action to date against them. Keep in mind, that when we get a client that already has a complaint against them the clock is ticking very fast because we have a very limited time to respond. Typically, we will not see the banks initiate arbitration or court unless they see it as a catastrophic problem.

Gary: Now the people that you have had the opportunity to arbitrate with and they win an award . . . some have and some haven't had it validated in court. Some of the ones who have pursued that award have collected it. Have you heard the saying, "If you mess with the bull, you get the horns?" In other words why not just take my zero balance and go on and live my life with my new financial freedom?

Bruce: I would say the vast majority of people we have worked with feel that way.

Gary: Well, I'm glad to hear that.

Bruce: The reason that we inform people about the option of going to court is that first, they have a right to do it. But, also because sometimes the credit reporting agencies will only respond to a civil court judgment, not to an arbitration award. Therefore even if you do not make an attempt to collect from a judgment, it may make sense to pursue it in order to clean up your credit.

Gary: Exactly. You said that some credit reporting agencies would not accept an arbitration award. Of those that do not, is a civil judgment enough?
Bruce: Absolutely.

Gary: Well, that sounds simple enough to me. You get the arbitration award and have it confirmed in court.

Bruce: Right. The process is simple, but the devil is in the details. Typically we send out a 30-day notice, and then it may take from 30 to 60 days for the arbitration process. If you tack on a confirmation hearing in civil court, the hearing date is set for about 30 days after requesting it. You could easily see four to six months from notice, to arbitration, to an award, to court and to judgment.

Gary: During the process do you recommend that people continue to make the minimum payments?

Bruce: It is up to them but if I was in their shoes I probably would not, after all this is the essence of the dispute.

Gary: So if you are making this argument it is kind of contradictory to continue making the payments?

Bruce: I suppose you could in order to hedge your bet. Some groups recommend it. But sometimes, the moment you make your initial complaint the bank may charge off the account anyway, zero it out, and sell it to a debt collector.

Gary: You mean immediately go to collections?

Bruce: Yes. Just because you are making the minimum payment to the debt collector it does not mean that you have transformed yourself into their best friend. If there was some tactical advantage or some tangible benefit there may be a better argument to keeping current. It would be the same as if you were in a car accident and someone sues for injury. Do you automatically begin making $150 a month in payments to them? Absolutely not, after all it might be their fault.

As I said before, the one positive of continuing payments is in the event of losing the argument. At the same time, numerous options may come your way during the proceedings. For example, the bank may offer to settle at a reduced rate or cut the interest. In that event, the key deal that people want to achieve is a clean credit report instead of negatives on it. For example, I was in a difficult financial situation a while back and could not make the payments. I called all the companies and said, "Let's make a deal." They agreed and I paid them off, but guess what? Black marks across the board on my credit report.

Gary: You know, it's kind of funny, it's almost like the credit agencies are part of the bank's game . . .

Bruce: It seems that way. You could almost understand it if there was parity between the parties. But there is not. A lot of courts, attorneys and scholars believe that credit card agreements are adhesion contracts. In other words, take it or leave it. There is no negotiation of terms possible.

Gary: As this process evolves, you mentioned it takes several months, have you ever seen an award not get confirmed in court?

Bruce: Yes, in fact, we saw one just recently where the opposing firm attempted to get an NAF award confirmed. I mentioned this case earlier; the award that was against our client was not upheld.

Gary: OK, but what I'm really asking is have you ever seen a court not validate an arbitration award for your client?

Bruce: No. This is something that is normal and routine in law but is brand new to us. We have not seen them confirmed or rejected, partly because we have not pursued it, and partly because in this application it is a new strategy. We have a couple current cases where clients won arbitration awards, and the banks sued anyway. Our counterclaims state that the case has already been litigated and asks for the award to be confirmed.

Gary: Is this overall strategy "national banks being prohibited from lending credit" strictly for credit cards?

Bruce: In the hypothetical the strategy could be applied towards lines of credit, and other types of bank guarantee and surety relationships, but we have focused only on credit cards issued by national banks.

Gary: What about a store credit card?

Bruce: Some stores, for example, Sears turned their basic store charge card, into a National Bank credit card by starting Sears National Bank. Other stores that use internal charge cards are not prohibited from it.

Gary: The more I talk to you the clearer this all becomes. I think that this is information that people need to know. I obviously think that it is always better to be current on your credit cards but it is also important to let everyone know that if they do fall behind, bankruptcy isn't the only option.

Now let me ask you this, if the banks can legally charge you more than the state mandated interest rate because they have created the scenario but they continue to extend you credit, wouldn't that help overcome any moral issues?

Bruce: What is really happening is that we are living in the illusion of the Matrix when dealing with national bank issued credit cards. Most people have no knowledge of any behind the scenes facts, laws and court cases. When you realize it, when you take the "red pill," you realize that it is you that

is the defrauded party, which is why the law voids ultra vires contracts.

Gary: To those people, I would say to get the arbitration award, but don't go to court to retaliate against the bank. This way they should not have to deal with the moral issue. Either that or go to court and donate the money to charity. But, I think once again, this falls under the scope of the individual's choice.

Generally, I think this information and interview will empower people and educate them. As I was researching this issue before I spoke with you, I found many, many interesting cases that I would not have seen the same way. This gives people a second chance. It allows them to return to a positive financial situation.

I could see that some people might implement this strategy, clean up their credit, then go out and get in debt again. Do you have any thoughts on this?

Bruce: Yes, a couple. The first is that, as a general rule, we will not represent a person in this arena more than once.

Gary: That borders on fraudulent activity in my eyes.

Bruce: It does . . . Secondly; there is a notice issue that has already occurred. Therefore the next time you get over your head, and then argue ultra vires, your own case may be undermined. In other words, you are coming to the court in violation of the "Clean Hands Doctrine," which may prohibit them from hearing parts of your case. This particular doctrine arises out of equity, when the court simply seeks to do the right thing, versus the legal thing. With this said, from a pure legal approach, and an amoral one, there should not be a problem arguing this point over and over again; into debt, out of debt, and repeat the process. The reason is that the law provides a kind of a "free enterprise" form of law enforcement to hold companies to the rules. In other words, as far as the law is concerned, too bad if some people take repeated advantage of the Bank . . . after all the entire bank should not be doing whatever they are doing anyway.

Gary: I wouldn't advise anyone to do that. I try to keep the discussion on the fact that we grow through these experiences, spiritually, morally even physically, but from an intellectual standpoint, the fact is most people receive no financial training from anyone, but through hard knocks. Not in school, from parents, at their job . . .

Bruce: Exactly, all we can do is attempt to turn the clock back and give people a second chance. It is up to them to learn from their original mistakes and not repeat them.

Gary: Well, that is probably a good comment to wrap things up on. Thanks so much for your time and willingness to discuss this topic in depth.

From the Fair Trade Commission - Knee Deep in Debt

Having trouble paying your bills? Getting dunning notices from creditors? Are your accounts being turned over to debt collectors? Are you worried about losing your home or your car?

You're not alone. Many people face a financial crisis some time in their lives. Whether the crisis is caused by personal or family illness, the loss of a job, or overspending, it can seem overwhelming. But often, it can be overcome. Your financial situation doesn't have to go from bad to worse.

If you or someone you know is in financial hot water, consider these options: realistic budgeting, credit counseling from a reputable organization, debt consolidation, or bankruptcy. Debt negotiation is yet another option. How do you know which will work best for you? It depends on your level of debt, your level of discipline, and your prospects for the future.

Self-Help

Developing a Budget: The first step toward taking control of your financial situation is to do a realistic assessment of how much money you take in and how much money you spend. Start by listing your income from all sources. Then, list your "fixed" expenses those that are the same each month like mortgage payments or rent, car payments, and insurance premiums. Next, list the expenses that vary like entertainment, recreation, and clothing. Writing down all your expenses, even those that seem insignificant, is a helpful way to track your spending patterns, identify necessary expenses, and prioritize the rest. The goal is to make sure you can make ends meet on the basics: housing,
food, health care, insurance, and education.

Your public library and bookstores have information about budgeting and money management techniques. In addition, computer software programs can be useful tools for developing and maintaining a budget, balancing your checkbook, and creating plans to save money and pay down your debt.

Contacting Your Creditors: Contact your creditors immediately if you're having trouble making ends meet. Tell them why it's difficult for you, and try to work out a modified payment plan that reduces your payments to a more manageable level. Don't wait until your accounts have been turned over to a debt collector. At that point, your creditors have given up on you.

Dealing with Debt Collectors: The Fair Debt Collection Practices Act is the federal law that dictates how and when a debt collector may contact you. A debt collector may not call you before 8 a.m., after 9 p.m., or while you're at work if the collector knows that your employer doesn't approve of the calls. Collectors may not harass you, lie, or use unfair practices when they try to collect a debt. And they must honor a written request from you to stop further contact.

Managing Your Auto and Home Loans: Your debts can be unsecured or secured. Secured debts usually are tied to an asset, like your car for a car loan, or your house for a mortgage. If you stop making payments, lenders can repossess your car or foreclose on your house. Unsecured debts are not tied to any asset, and include most credit card debt, bills for medical care, signature loans, and debts for other types of services.

Most automobile financing agreements allow a creditor to repossess your car any time you're in default. No notice is required. If your car is repossessed, you may have to pay the balance due on the loan, as well as towing and storage costs, to get it back. If you can't do this, the creditor may sell the car. If you see default approaching, you may be better off selling the car yourself and paying off the debt: You'll avoid the added costs of repossession and a negative entry on your credit report.

If you fall behind on your mortgage, contact your lender immediately to avoid foreclosure. Most lenders are willing to work with you if they believe you're acting in good faith and the situation is temporary. Some lenders may reduce or suspend your payments for a short time. When you resume regular payments, though, you may have to pay an additional amount toward the past due total. Other lenders may agree to change the terms of the mortgage by extending the repayment period to reduce the monthly debt. Ask whether additional fees would be assessed for these changes, and calculate how much they total in the long term.

If you and your lender cannot work out a plan, contact a housing counseling agency. Some agencies limit their counseling services to homeowners with FHA mortgages, but many offer free help to any homeowner who's having trouble making mortgage payments. Call the local office of the Department of Housing and Urban Development or the housing authority in your state, city, or county for help in finding a legitimate housing counseling agency near you.

Credit Counseling and Debt Management Plans

Credit Counseling: If you're not disciplined enough to create a workable budget and stick to it, can't work out a repayment plan with your creditors, or can't keep track of mounting bills, consider contacting a credit counseling organization. Many credit counseling organizations are nonprofit and work with you to solve your financial problems. But be aware that, just because an organization says it's "nonprofit," there's no guarantee that its services are free, affordable, or even legitimate. In fact, some credit counseling organizations charge high fees, which may be hidden, or urge consumers to make "voluntary" contributions that can cause more debt.

Most credit counselors offer services through local offices, the Internet, or on the telephone. If possible, find an organization that offers in-person counseling. Many universities, military bases, credit unions, housing authorities, and branches of the U.S. Cooperative Extension Service operate nonprofit credit counseling programs. Your financial institution, local consumer protection agency, and friends and family also may be good sources of information and referrals.

Reputable credit counseling organizations can advise you on managing your money and debts, help you develop a budget, and offer free educational materials and workshops. Their counselors are certified and trained in the areas of consumer credit, money and debt management, and budgeting. Counselors discuss your entire financial situation with you, and help you develop a personalized plan to solve your money problems. An initial counseling session typically lasts an hour, with an offer of follow-up sessions.

Debt Management Plans: If your financial problems stem from too much debt or your inability to repay your debts, a credit counseling agency may recommend that you enroll in a debt management plan (DMP). A DMP alone is not credit counseling, and DMPs are not for everyone.

You should sign up for one of these plans only after a certified credit counselor has spent time thoroughly reviewing your financial situation, and has offered you customized advice on managing your money. Even if a DMP is appropriate for you, a reputable credit counseling organization still can help you create a budget and teach you money management skills.

In a DMP, you deposit money each month with the credit counseling organization, which uses your deposits to pay your unsecured debts, like your credit card bills, student loans, and medical bills, according to a payment schedule the counselor develops with you and your creditors. Your creditors may agree to lower your interest rates or waive certain fees, but check with all your creditors to be sure they offer the concessions that a credit counseling organization describes to you. A successful DMP requires you to make regular, timely payments, and could take 48 months or more to complete. Ask the credit counselor to estimate how long it will take for you to complete the plan. You may have to agree not to apply for or use any additional credit while you're participating in the plan.

Protect Yourself

Be wary of credit counseling organizations that:

charge high up-front or monthly fees for enrolling in credit counseling or a DMP.

pressure you to make "voluntary contributions," another name for fees.

won't send you free information about the services they provide without requiring you to provide personal financial information, such as credit card account numbers, and balances.

try to enroll you in a DMP without spending time reviewing your financial situation.

offer to enroll you in a DMP without teaching you budgeting and money management skills.

demand that you make payments into a DMP before your creditors have accepted you into the program.

Debt Consolidation

You may be able to lower your cost of credit by consolidating your debt through a second mortgage or a home equity line of credit. Remember that these loans require you to put up your home as collateral. If you can't make the payments or if your payments are late you could lose your home.

What's more, the costs of consolidation loans can add up. In addition to interest on the loans, you may have to pay "points," with one point equal to one percent of the amount you borrow. Still, these loans may provide certain tax advantages that are not available with other kinds of credit.

Bankruptcy (This section is from the FTC. See my special bankruptcy section near the end of this book.)

Personal bankruptcy generally is considered the debt management option of last resort because the results are long-lasting and far reaching. People who follow the bankruptcy rules receive a discharge a court order that says they don't have to repay certain debts. However, bankruptcy information (both the date of your filing and the later date of discharge) stay on your credit report for 10 years, and can make it difficult to obtain credit, buy a home, get life insurance, or sometimes get a job. Still, bankruptcy is a legal procedure that offers a fresh start for people who have gotten into financial difficulty and can't satisfy their debts.

There are two primary types of personal bankruptcy: Chapter 13 and Chapter 7. Each must be filed in federal bankruptcy court. As of November 2005, the filing fees run about $190 for Chapter 13 and $275 for Chapter 7. Attorney fees are additional and can vary.

Effective October 2005, Congress made sweeping changes to the bankruptcy laws. The net effect of these changes is to give consumers more incentive to seek bankruptcy relief under Chapter 13 rather than Chapter 7. Chapter 13 allows people with a steady income to keep property, like a mortgaged house or a car, that they might otherwise lose through the bankruptcy process. In Chapter 13, the court approves a repayment plan that allows you to use your future income to pay off your debts during a three-to-five-year period, rather than surrender any property. After you have

made all the payments under the plan, you receive a discharge of your debts.

Chapter 7 is known as straight bankruptcy, and involves liquidation of all assets that are not exempt. Exempt property may include automobiles, work-related tools, and basic household furnishings. Some of your property may be sold by a court-appointed official a trustee or turned over to your creditors. The new bankruptcy laws have changed the time period during which you can receive a discharge through Chapter 7. You must wait 8 years after receiving a discharge in Chapter 7 before you can file again under that chapter. The Chapter 13 waiting period is much shorter and can be as little as two years between filings.

Both types of bankruptcy may get rid of unsecured debts and stop foreclosures, repossessions, garnishments and utility shut-offs, and debt collection activities. Both also provide exemptions that allow people to keep certain assets, although exemption amounts vary by state. Note that personal bankruptcy usually does not erase child support, alimony, fines, taxes, and some student loan obligations. And, unless you have an acceptable plan to catch up on your debt under Chapter 13, bankruptcy usually does not allow you to keep property when your creditor has an unpaid mortgage or security lien on it.

Another major change to the bankruptcy laws involves certain hurdles that a consumer must clear before even filing for bankruptcy, no matter what the chapter. You must get credit counseling from a government-approved organization within six months before you file for any bankruptcy relief. You can find a state-by-state list of government-approved organizations at www.usdoj.gov/ust . That is the website of the U.S. Trustee Program, the organization within the U.S. Department of Justice that supervises bankruptcy cases and trustees. Also, before you file a Chapter 7 bankruptcy case, you must satisfy a "means test." This test requires you to confirm that your income does not exceed a certain amount. The amount varies by state and is publicized by the U.S. Trustee Program at www.usdoj.gov/ust.

Debt Negotiation Programs

Debt negotiation differs greatly from credit counseling and DMPs. It can be very risky, and have a long term negative impact on your credit report and, in turn, your ability to get credit. That's why many states have laws regulating debt negotiation companies and the services they offer. Contact your state Attorney General for more information.

The Claims

Debt negotiation firms may claim they're nonprofit. They also may claim that they can arrange for your unsecured debt typically credit card debt to be paid off for anywhere from 10 to 50 percent of the balance owed. For example, if you owe $10,000 on a credit card, a debt negotiation firm may claim it can arrange for you to pay it off with a lesser amount, say $4,000.
The firms often pitch their services as an alternative to bankruptcy. They may claim that using their services will have little or no negative impact on your ability to get credit in the future, or that any negative information can be removed from your credit report when you complete their debt negotiation program. The firms usually tell you to stop making payments to your creditors, and instead, send payments to the debt negotiation company. The firm may promise to hold your funds in a special account and pay your
creditors on your behalf.

The Truth
Just because a debt negotiation company describes itself as a "nonprofit" organization, there's no guarantee that the services they offer are legitimate. There also is no guarantee that a creditor will accept partial payment of a legitimate debt. In fact, if you stop making payments on a credit card, late fees and interest usually are added to the debt each month. If you exceed your credit limit, additional fees and charges also can be added. This can cause your original debt to double or triple. What's more, most debt negotiation companies charge consumers substantial fees for their services, including a fee to establish the account with the debt negotiator, a monthly service fee, and a final fee of a percentage of the money you've supposedly saved.

While creditors have no obligation to agree to negotiate the amount a consumer owes, they have a legal obligation to provide accurate information to the credit reporting agencies, including your

failure to make monthly payments. That can result in a negative entry on your credit report. And in certain situations, creditors may have the right to sue you to recover the money you owe. In some instances, when creditors win a lawsuit, they have the right to garnish your wages or put a lien on your home. Finally, the Internal Revenue Service may consider any amount of forgiven debt to be taxable income.

Damage Control

Turning to a business that offers help in solving debt problems may seem like a reasonable solution when your bills become unmanageable. But before you do business with any company, check it out with your state Attorney General, local consumer protection agency, and the Better Business Bureau. They can tell you if any consumer complaints are on file about the firm you're considering doing business with. Ask your state Attorney General if the company is required to be licensed to work in your state and, if so, whether it is.

Some businesses that offer to help you with your debt problems may charge high fees and fail to follow through on the services they sell. Others may misrepresent the terms of a debt consolidation loan, failing to explain certain costs or mention that you're signing over your home as collateral. Businesses advertising voluntary debt reorganization plans may not explain that the plan is a bankruptcy filing, tell you everything that's involved, or help you through what can be a long and complex process.

In addition, some companies guarantee you a loan if you pay a fee in advance. The fee may range from $100 to several hundred dollars. Resist the temptation to follow up on these advance-fee loan guarantees. They may be illegal. It is true that many legitimate creditors offer extensions of credit through telemarketing and require an application or appraisal fee in advance. But legitimate creditors never guarantee that the consumer will get the loan or even represent that a loan is likely. Under the federal Telemarketing Sales Rule, a seller or tele-marketer who guarantees or represents a high likelihood of your getting a loan or some other extension of credit may not ask for or accept payment until you've received the loan.

You should be cautious of claims from so-called credit repair clinics. Many companies appeal to

consumers with poor credit histories, promising to clean up credit reports for a fee. But you already have the right to have any inaccurate information in your file corrected. And a credit repair clinic cannot have accurate information removed from your credit report, despite their promises. You also should know that federal and some state laws prohibit these companies from charging you for their services until the services are fully performed. Only time and a conscientious effort to repay your debts will improve your credit report.

If you're thinking about getting help to stabilize your financial situation, do some homework first. Find out what services a business provides and what it costs, and don't rely on verbal promises. Get everything in writing, and read your contracts carefully.

For more information, see Fiscal Fitness: Choosing a Credit Counselor, at ftc.gov/credit
The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues , visit http://www.ftc.gov/ or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel , a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.
December 2005

Out of Work? How to Deal with Creditors

It's become an all-too-familiar headline and lead story - job cuts, dot.com failures, corporate restructuring and lay-offs.

If you've recently lost your job, your first thoughts may be, "how will I make ends meet." Money matters are a source of stress and frustration for many people. The Federal Trade Commission (FTC) publishes free brochures spelling out your rights when it comes to fair debt collection and credit reporting practices.

Fair Debt Collection

If you find that you can't pay your bills on time, contact your creditors immediately. Try to work out a modified payment plan that reduces your payments to a more manageable level. Don't wait until your accounts have been turned over to a debt collector. At that point, your creditors have given up on you. The federal Fair Debt Collection Practices Act requires debt collectors to treat you fairly by prohibiting certain methods of debt collection. To learn more, call the FTC's Consumer Response Center for a free copy of
Fair Debt Collection, or visit http://www.ftc.gov/ .

Fair Credit Reporting

Non-payment and late payments may affect your credit rating and your ability to get credit in the future. Although creditors usually consider a number of factors in deciding whether to grant credit, most creditors rely heavily on your credit history. That's one reason it's important to make sure your credit report is accurate. For example, if your file showed that you were once late in making payments, but didn't show that you are no longer delinquent, it would be inaccurate. The credit reporting agency must show that your payments now are current.

The Fair Credit Reporting Act protects you by requiring credit bureaus to furnish correct and complete information to businesses to use in evaluating your applications for credit, insurance or a job. For more information, request a free copy of Fair Credit Reporting.

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or to get free information on consumer issues , visit http://www.ftc.gov/ or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

FTC Consumer Alert - Time-Barred Debts

There's no doubt about it: you are responsible for your debts. If you fall behind in paying your creditors or if you dispute the legitimacy of a debt a debt collector may contact you.

"Time-barred" debts are debts so old they are beyond the point at which a creditor or debt collector may sue you to collect. State law varies as to when a creditor or debt collector may no longer sue to collect: in most states, the statute of limitations period on debts is between 3 and 10 years; in some states, the period is longer. Check with your State Attorney General's Office at http://www.naag.org/ to determine when a debt is considered time-barred in your state.

Federal law imposes limitations on how debt collectors can collect debts, including time-barred debts. Under the Fair Debt Collection Practices Act (FDCPA), a "debt collector" generally is any person or organization that regularly collects debts owed to others. The term includes lawyers who collect debts for others on a regular basis, but it does not include creditors collecting their own debts.

The FDCPA prohibits debt collectors from engaging in any unfair, deceptive, or abusive practices while collecting debts. It does not erase any legitimate debt that you owe. To learn more about your rights under the FDCPA, click on www.ftc.gov/bcp/conline/pubs/credit/fdc.htm.

Collecting Time-Barred Debts

Most courts that have addressed the issue have ruled that the FDCPA does not prohibit debt collectors from trying to collect time-barred debts, as long as they do not sue or threaten to sue you for the debt. If a debt collector sues you to collect a time-barred debt, you can have the suit dismissed by letting the court or judge know the debt is, indeed, time-barred.

Whether a time-barred debt or any debt for that matter can appear on your credit report depends on how long the debt has been delinquent: debts that have been delinquent more than seven years

cannot appear on your credit report, with certain exceptions. In addition, a debt collector may not try to collect a debt that has been discharged in bankruptcy, no matter when it was incurred. To learn more about credit reporting, click on www.ftc.gov/bcp/conline/pubs/credit/fcra.htm.

Contact with Collectors

Can a debt collector continue to contact you about a time-barred debt you don't think you owe? According to the law, if you send the debt collector a letter stating that you do not owe some or all of the money within 30 days after you receive written notice of a debt, the collector must stop trying to collect until you've been given written verification of the debt, like a copy of the bill for the amount you supposedly owe. The collector can renew collection activities once you've gotten proof of the debt.

You can stop debt collectors from contacting you about any debt, regardless of whether you owe it, by writing a letter telling them to stop contacting you. Once the collector gets your letter, it may not contact you again except to say there will be no further contact or to let you know that the collector or creditor intends to take some specific action. Sending a letter doesn't absolve you of the debt if you actually owe it; the debt collector or creditor still could sue you for the debt.

Future Collection Efforts

The best way to protect yourself from future collection on any disputed or partially settled debt is to get a form or letter from the creditor or collector that releases you from further obligation. To make sure the release is valid, you may want to consult an attorney. If you believe that a debt collector violated the law, you have the right to sue in a state or federal court within a year from the date the law was violated. If you win, you may recover money for the damages you suffered, plus an additional amount up to $1,000. You also may recover court costs and attorney's fees. You also may want to report any problems you have with a debt collector to your State Attorney General and to the Federal Trade Commission.

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues , visit http://www.ftc.gov/ or call toll-free,

1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel , a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.
October 2004

Consumer Handbook to Credit Protection Laws

Board of Governors of the Federal Reserve System

Introduction

The Consumer Credit Protection Act of 1968--which launched Truth in Lending--was a landmark piece of legislation. For the first time, creditors had to state the cost of borrowing in a common language so that you--the customer--could figure out exactly what the charges would be, compare costs, and shop around for the credit deal best for you.

Since 1968, credit protections have multiplied rapidly. The concepts of "fair" and "equal" credit have been written into laws that outlaw unfair discrimination in credit transactions; require that consumers be told the reason when credit is denied; let borrowers find out about their credit records; and set up a way to settle billing disputes.

Each law was meant to reduce the problems and confusion surrounding consumer credit which, as it became more widely used in our economy, also grew more complex. Together, these laws set a standard for how individuals are to be treated in their financial dealings.

The laws say, for instance:
-- that you cannot be turned down for a credit card just because you're a single woman;
-- that you can limit your risk if a credit card is lost or stolen;
-- that you can straighten out errors in your monthly bill without damage to your credit rating; and
-- that you won't find credit shut off just because you've reached the age of 65.

But, let the buyer be aware! It is important to know your fights and how to use them. This handbook explains how the consumer credit laws can help you shop for credit, apply for it, keep up your credit standing, and--if need be--complain about an unfair deal. It explains what you should look for when using credit and what creditors look for before extending it.

It also points out the laws' solutions to discriminatory practices that have made it difficult for women and minorities to get credit in the past.

The Cost Of Credit - Shopping is the First Step

You get credit by promising to pay in the future for something you receive in the present.

Credit is a convenience. It lets you charge a meal on your credit card, pay for an appliance on the installment plan, take out a loan to buy a house, or pay for schooling or vacations. With credit, you can enjoy your purchase while you're paying for it--or you can make a purchase when you're lacking ready cash.

But there are strings attached to credit too. It usually costs something. And of course what is borrowed must be paid back.

If you are thinking of borrowing or opening a credit account, your first step should be to figure out how much it will cost you and whether you can afford it. Then you should shop around for the best terms.
What Laws Apply?
Two laws help you compare costs:

TRUTH IN LENDING requires creditors to give you certain basic information about the cost of buying on credit or taking out a loan. These "disclosures" can help you shop around for the best deal.

CONSUMER LEASING disclosures can help you compare the cost and terms of one lease with another and with the cost and terms of buying for cash or on credit.

The Finance Charge and Annual Percentage Rate (APR)

Credit costs vary. By remembering two terms, you can compare credit prices from different sources. Under Truth in Lending, the creditor must tell you--in writing and before you sign any agreement--the finance charge and the annual percentage rate.

The finance charge is the total dollar amount you pay to use credit. It includes interest costs, and other costs, such as service charges and some credit--related insurance premiums. For example, borrowing $100 for a year might cost you $10 in interest. If there were also a service charge of $1, the finance charge would be $11.

The annual percentage rate (APR)is the percentage cost (or relative cost) of credit on a yearly basis.

This is your key to comparing costs, regardless of the amount of credit or how long you have to repay it: Again, suppose you borrow $100 for one year and pay a finance charge of $10. If you can keep the entire $100 for the whole year and then pay back $110 at the end of the year, you are paying an APR of 10 percent.

But, if you repay the $100 and finance charge (a total of $110) in twelve equal monthly installments, you don't really get to use $100 for the whole year. In fact, you get to use less and less of that $100 each month. In this case, the $10 charge for credit amounts to an APR of 18 percent.

All creditors--banks, stores, car dealers, credit card companies, finance companies-must state the cost of their credit in terms of the finance charge and the APR. Federal law does not set interest rates or other credit charges. But it does require their disclosure so that you can compare credit costs. The law says these two pieces of information must be shown to you before you sign a credit contract or before you use a credit card.

A Comparison

Even when you understand the terms a creditor is offering, it's easy to underestimate the difference in dollars that different terms can make. Suppose you're buying a $7,500 car. You put $1,500 down,

and need to borrow $6,000. Compare the three credit arrangements on the next page.

How do these choices stack up? The answer depends partly on what you need.

The lowest cost loan is available from Creditor A.

If you were looking for lower monthly payments, you could get then by paying the loan off over a longer period of time. However, you would have to pay more in total costs. A loan from Creditor B--also at a 14 percent APR, but for four years--will add about $488 to your finance charge. If that four-year loan were available only from Creditor C, the APR of 15 percent would add another $145 or so to your finance charges as compared with Creditor B.

Other terms--such as the size of the down payment--will also make a difference. Be sure to look at all the terms before you make your choice.

Cost of Open-end Credit

Open-end credit includes bank and department store credit cards, gasoline company cards, home equity lines, and check overdraft accounts that let you write checks for more than your actual balance with the bank. Open-end credit can be used again and again, generally until you reach a certain prearranged borrowing limit. Truth in Lending requires that open-end creditors tell you the terms of the credit plan so that you can shop and compare the costs involved.

When you're shopping for an open-end plan, the APR you're told represents only the periodic rate that you will be charged--figured on a yearly basis. (For instance, a creditor that charges 1% percent interest each month would quote you an APR of 18 percent.)

Annual membership fees, transaction charges, and points, for example, are listed separately; they are not included in the APR. Keep this in mind and compare all the costs involved in the plans, not just the APR.

Creditors must tell you when finance charges begin on your account, so you know how much time

you have to pay your bill before a finance charge is added. Creditors may give you a 25-day grace period, for example, to pay your balance in full before making you pay a finance charge.

Creditors also must tell you the method they use to figure the balance on which you pay a finance charge; the interest rate they charge is applied to this balance to come up with the finance charge. Creditors use a number of different methods to arrive at the balance. Study them carefully; they can significantly affect your finance charge.

Some creditors, for instance, take the amount you owed at the beginning of the billing cycle, and subtract any payments you made during that cycle. Purchases are not counted. This is called the adjusted balance method.

Another is the previous balance method. Creditors simply use the amount owed at the beginning of the billing cycle to come up with the finance charge.

Under one of the most common methods-the average daily balance method--creditors add your balances for each day in the billing cycle and then divide that total by the number of days in the cycle. Payments made during the cycle are subtracted in arriving at the daily amounts, and, depending on the plan, new purchases may or may not be included. Under another method--the two-cycle average daily balance method--creditors use the average daily balances for two billing cycles to compute your finance charge. Again, payments will be taken into account in figuring the balances, but new purchases may or may not be included.

Be aware that the amount of the finance charge may vary considerably depending on the method used, even for the same pattern of purchases and payments.

If you receive a credit card offer or an application, the creditor must give you information about the APR and other important terms of the plan at that time. Likewise, with a home equity plan, information must be given to you with an application.

Truth in Lending does not set the rates or tell the creditor how to calculate finance charges--it only

requires that the creditor tell you the method that it uses. You should ask for an explanation of any terms you don't understand.

Leasing Costs and Terms

Leasing gives you temporary use of property in return for periodic payments. It has become a popular alternative to buying--under certain circumstances. For instance, you might consider leasing furniture for an apartment you'll use only for a year. The Consumer Leasing law requires leasing companies to give you the facts about the costs and terms of their contracts, to help you decide whether leasing is a good idea.

The law applies to personal property leased to you for more than four months for personal, family, or household use. It covers, for example, long-term rentals of cars, furniture, and appliances, but not daily car rentals or leases for apartments.

Before you agree to a lease, the leasing company must give you a written statement of costs, including the amount of any security deposit, the amount of your monthly payments, and the amount you must pay for licensing, registration, taxes, and maintenance.

The company must also give you a written statement about terms, including any insurance you need, any guarantees, information about who is responsible for servicing the property, any standards for its wear and tear, and whether or not you have an option to buy the property.

Open-end Leases and Balloon Payments

Your costs will depend on whether you choose an open-end lease or a closed-end lease. Open-end leases usually mean lower monthly payments than closed-end leases, but you may owe a large extra payment--often called a balloon payment--based on the value of the property when you return it.

Suppose you lease a car under a three-year open-end lease. The leasing company estimates the car will be worth $4,000 after three years of normal use. If you bring back the car in a condition that makes it worth only $3,500, you may owe a balloon payment of $500.

The leasing company must tell you whether you may owe a balloon payment and how it will be calculated. You should also know that:

-- you have the right to an independent appraisal of the property's worth at the end of the lease. You must pay the appraiser's fee, however.

-- a balloon payment is usually limited to no more than three times the average monthly payment. If your monthly payment is $ 200, your balloon payment wouldn't be more than $600--unless, for example, the property has received more than average wear and tear (for instance, if you drove a car more than average mileage).

Closed-end leases usually have higher monthly payment than open-end leases, but there is no balloon payment at the end of the lease.

Costs of Settlement on a House

A house is probably the single largest credit purchase for most consumers--and one of the most complicated. The Real Estate Settlement Procedures Act, like Truth in Lending, is a disclosure law. The Act, administered by the Department of Housing and Urban Development, requires the lender to give you, in advance, certain information about the costs you will pay when you close the loan.

This event is called settlement or closing, and the law helps you shop for lower settlement costs. To find out more about it, write to:
Deputy Assistant Secretary for Housing Attention:
RESPA Enforcement U.S. Department of Housing and Urban Development
451 Seventh Street, S.W. Room 5241
Washington, D.C. 20410
Should you need to phone:
(202) 708-4560

A Federal Reserve pamphlet, entitled "A Consumer's Guide to Mortgage Closing Costs," also

contains useful information for consumers.

Applying For Credit

Discrimination

When you're ready to apply for credit, you should know what creditors think is important in deciding whether you're creditworthy. You should also know what they cannot legally consider in their decisions.

What Law Applies?

EQUAL CREDIT OPPORTUNITY ACT requires that all credit applicants be considered on the basis of their actual qualifications for credit and not be turned away because of certain personal characteristics.

What Creditors Look For

The Three C's. Creditors look for an ability to repay debt and a willingness to do so--and sometimes for a little extra security to protect their loans. They speak of the three C's of credit-capacity, character, and collateral.

Capacity. Can you repay the debt? Creditors ask for employment information: your occupation, how long you've worked, and how much you earn. They also want to know your expenses: how many dependents you have, whether you pay alimony or child support, and the amount of your other obligations.

Character. Will you repay the debt? Creditors will look at your credit history (see chapter on Credit Histories and Records): how much you owe, how often you borrow, whether you pay bills on time, and whether you live within your means. They also look for signs of stability: how long you've lived at your present address, whether you own or rent, and length of your present employment.

Collateral. Is the creditor fully protected if you fail to repay? Creditors want to know what you may have that could be used to back up or secure your loan, and what sources you have for repaying debt other than income, such as savings, investments, or property.

Creditors use different combinations of these facts in reaching their decisions. Some set unusually high standards and other simply do not make certain kinds of loans. Creditors also use different kinds of rating systems. Some rely strictly on their own instinct and experience.

Others use a "credit-scoring" or statistical system to predict whether you're a good credit risk. They assign a certain number of points to each of the various characteristics that have proved to be reliable signs that a borrower will repay. Then, they rate you on this scale.

And so, different creditors may reach different conclusions based on the same set of facts. One may find you an acceptable risk, while another may deny you a loan.

Information the Creditor Can't Use

The Equal Credit Opportunity Act does not guarantee that you will get credit. You must still pass the creditor's tests of creditworthiness. But the creditor must apply these tests fairly, impartially, and without discriminating against you on any of the following grounds: age, gender, marital status, race, color, religion, national origin, because you receive public income such as veterans benefits, welfare or Social Security, or because you exercise your rights under Federal credit laws such as filing a billing error notice with a creditor. This means that a creditor may not use any of those grounds as a reason to:

-- discourage you from applying for a loan;
-- refuse you a loan if you quality; or
-- lend you money on terms different from those granted another person with similar income, expenses, credit history, and collateral.

Special Rules

Age. In the past, many older persons have complained about being denied credit just because they were over a certain age. Or when they retired, they often found their credit suddenly cut off or reduced. So the law is very specific about how a person's age may be used in credit decisions.

A creditor may ask your age, but if you're old enough to sign a binding contract (usually 18 or 21

years old depending on state law), a creditor may not:
-- turn you down or offer you less credit just because of your age;
-- ignore your retirement income in rating your application;
-- close your credit account or require you to reapply for it just because you reach a certain age or retire; or
-- deny you credit or close your account because credit life insurance or other credit-related insurance is not available to persons your age.

Creditors may "score" your age in a credit scoring system, but: -- if you are 62 or older you must be given at least as many points for age as any person under 62.

Because individuals' financial situations can change at different ages, the law lets creditors consider certain information related to age--such as how long until you retire or how long your income will continue. An older applicant might not qualify for a large loan with a 5 percent down payment on a risky venture, but might qualify for a smaller loan--with a bigger down payment--secured by good collateral. Remember that while declining income may be a handicap if you are older, you can usually offer a solid credit history to your advantage. The creditor has to look at all the facts and apply the usual standards of creditworthiness to your particular situation.

Public Assistance. You may not be denied credit just because you receive Social Security or public assistance (such as Aid to Families with Dependent Children). But--as is the case with age--certain information related to this source of income could clearly affect creditworthiness.

So, a creditor may consider such things as:
-- how old your dependents are (because you may lose benefits when they reach a certain age); or
-- whether you will continue to meet the residency requirements for receiving benefits.

This information helps the creditor determine the likelihood that your public assistance income will continue.

Housing Loans. The Equal Credit Opportunity Act covers your application for a mortgage or home

improvement loan. It bans discrimination because of such characteristics as your race, color, gender, or because of the race or national origin of the people in the neighborhood where you live or want to buy your home. Nor may creditors use any appraisal of the value of the property that considers the race of the people in the neighborhood.

In addition, you are entitled to receive a copy of an appraisal report that you paid for in connection with an application for credit, if a you make a written request for the report.

Discrimination Against Women

Both men and women are protected from discrimination based on gender or marital status. But many of the law's provisions were designed to stop particular abuses that generally made if difficult for women to get credit. For example, the idea that single women ignore their debts when they marry, or that a woman's income "doesn't count" because she'll leave work to have children, now is unlawful in credit transactions.

The general rule is that you may not be denied credit just because you are a woman, or just because you are married, single, widowed, divorced, or separated. Here are some important protections:

Gender and Marital Status. Usually, creditors may not ask your gender on an application form (one exception is on a loan to buy or build a home).

You do not have to use Miss, Mrs., or Ms. with your name on a credit application. But, in some cases, a creditor may ask whether you are married, unmarried, or separated (unmarried includes single, divorced, and widowed).

Child-bearing Plans. Creditors may not ask about your birth control practices or whether you plan to have children, and they may not assume anything about those plans.

Income and Alimony. The creditor must count all of your income, even income from part-time employment.

Child support and alimony payments are a primary source of income for many women. You don't have to disclose these kinds of income, but if you do creditors must count them.

Telephones. Creditors may not consider whether you have a telephone listing in your name because this would discriminate against many married women. (You may be asked if there's a telephone in your home.)

A creditor may consider whether income is steady and reliable, so be prepared to show that you can count on uninterrupted income--particularly if the source is alimony payments or part-time wages.

Your Own Accounts. Many married women used to be turned down when they asked for credit in their own name. Or, a husband had to cosign an account--agree to pay if the wife didn't--even when a woman's own income could easily repay the loan. Single women couldn't get loans because they were thought to be somehow less reliable than other applicants. You now have a fight to your own credit, based on your own credit records and earnings. Your own credit means a separate account or loan in your own name--not a joint account with your husband or a duplicate card on his account. Here are the rules:

-- Creditors may not refuse to open an account just because of your gender or marital status.

-- You can choose to use your and maiden name (Mary Smith); your and husband's last name (Mary Jones); or a combined last name (Mary Smith-Jones).

-- If you're creditworthy, a creditor may not ask your husband to cosign your account, with certain exceptions when property rights are involved.

-- Creditors may not ask for information about your husband or ex-husband when you apply for your own credit based on your own income--unless that income is alimony, child support, or separate maintenance payments from your spouse or former spouse.

This last rule, of course, does not apply if your husband is going to use your account or be responsible for paying your debts on the account, or if you live in a community property state. (Community property states are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.)

Change in Marital Status. Married women have sometimes faced severe hardships when cut off from credit after their husbands died. Single women have had accounts closed when they married, and married women have had accounts closed after a divorce. The law says that creditors may not make you reapply for credit just because you marry or become widowed or divorced. Nor may they close your account or change the terms of your account on these grounds. There must be some sign that your creditworthiness has changed. For example, creditors may ask you to reapply if you relied on your ex-husband's income to get credit in the first place.

Setting up your own account protects you by giving you your own history of how you handle debt, to rely on if your financial situation changes because you are widowed or divorced. If you're getting married and plan to take your husband's surname, write to your creditors and tell them if you want to keep a separate account.

If You're Turned Down

Remember, your gender or race may not be used to discourage you from applying for a loan. And creditors may not hold up or otherwise delay your application on those grounds. Under the Equal Credit Opportunity Act, you must be notified within 30 days after your application has been completed whether your loan has been approved or not.

If credit is denied, this notice must be in writing and it must explain the specific reasons why you were denied credit or tell you of your right to ask for an explanation. You have the same rights if an account you have had is closed.

If you are denied credit, be sure to find out why. Remember, you may have to ask the creditors for this explanation. It may be that the creditor thinks you have requested more money than you can repay on your income. It may be that you have not been employed or lived long enough in the community. You can discuss terms with the creditor and ways to improve your creditworthiness. The next chapter explains how to improve your ability to get credit.

If you think you have been discriminated against, cite the law to the lender. If the lender still says no

without a satisfactory explanation, you may contact a Federal enforcement agency for assistance or bring legal action as described in the last chapter of this handbook.

Credit Histories And Records

Building Up a Good Record

On your first attempt to get credit, you may face a common frustration: sometimes it seems you have to already have credit to get credit. Some creditors will look only at your salary and job and the other financial information you put on your application. But most also want to know about your track record in handling credit--how reliably you've repaid past debts. They turn to the records kept by credit bureaus or credit reporting agencies whose business is to collect and store information about borrowers that is routinely supplied by many lenders. These records include the amount of credit you have received and how faithfully you've paid it back.

Here are several ways you can begin to build up a good credit history:
-- Open a checking account or a savings account, or both. These do not begin your credit file, but may be checked as evidence that you have money and know how to manage it. Cancelled checks can be used to show you pay utility bills or rent regularly, a sign of reliability.
-- Apply for a department store credit card. Repaying credit card bills on time is a plus in credit histories.
-- Ask whether you may deposit funds with a financial institution to serve as collateral for a credit card; some institutions will issue a credit card with a credit limit usually no greater than the amount on deposit.
-- If you're new in town, write for a summary of any credit record kept by a credit bureau in your former town. (Ask the bank or department store in your old hometown for the name of the agency it reports to.)
-- If you don't qualify on the basis of your own credit standing, offer to have someone cosign your application.
-- If you're turned down, find out why and try to clear up any misunderstandings.

What Laws Apply?

The following laws can help you start your credit history and keep your record accurate:

THE EQUAL CREDIT OPPORTUNITY ACT gives women a way to start their own credit history and identity.
THE FAIR CREDIT REPORTING ACT sets up a procedure for correcting mistakes on your credit record.

Credit Histories for Women
Under the Equal Credit Opportunity Act, reports to credit bureaus must be made in the names of both husband and wife if both use an account or are responsible for repaying the debt. Some women who are divorced or widowed might not have separate credit histories because in the past credit accounts were listed in their husband's name only. But they can still benefit from this record. Under the Equal Credit Opportunity Act, creditors must consider the credit history of accounts women have held jointly with their husbands.

Creditors must also look at the record of any account held only in the husband's name if a woman can show it also reflects her own creditworthiness. If the record is unfavorable--if an ex-husband was a bad credit risk--she can try to show that the record does not reflect her own reputation. Remember that a wife may also open her own account to be sure of starting her own credit history.

Here's an example:
Mary Jones, when married to John Jones, always paid their credit card bills on time and from their joint checking account. But the card was issued in John's name, and the credit bureau kept all records in John's name. Now Mary is a widow and wants to take out a new card, but she's told she has no credit history. To benefit from the good credit record already on the books in John's name, Mary should point out that she handled all accounts properly when she was married and that bills were paid by checks from their joint checking account.

Keeping Up Credit Records
Mistakes on your credit record--sometimes mistaken identities--can cloud your credit future. Your credit rating is important, so be sure credit bureau records are complete and accurate.

The Fair Credit Reporting Act says that you must be told what's in your credit file and have any errors corrected.

Negative Information. If a lender refuses you credit because of unfavorable information in your credit report, you have a right to the name and address of the agency that keeps your report. Then, you may either request information from the credit bureau by mail or in person. You will not get an exact copy of the file, but you will at least learn what's in the report. The law also says that the credit bureau must help you interpret the data--because it's raw data that takes experience to analyze. If you're questioning a credit refusal made within the past 30 days, the bureau is not allowed to charge a fee for giving you information.

Any error that you find must be investigated by the credit bureau with the creditor who supplied the data. The bureau will remove from your credit file any errors the creditor admits are there. If you disagree with the findings, you can file a short statement in your record giving your side of the story. Future reports to creditors must include this statement or a summary of it.

Old Information. Sometimes credit information is too old to give a good picture of your financial reputation. There is a limit on how long certain kinds of information may be kept in your file:
-- Bankruptcies must be taken off your credit history after 10 years.
-- Suits and judgments, tax liens, arrest records, and most other kinds of unfavorable information must be dropped after 7 years.

Your credit record may not be given to anyone who does not have a legitimate business need for it. Stores to which you are applying for credit or prospective employers may examine your record; curious neighbors may not.

Billing Mistakes. In the next chapter, you will find the steps to take if there's an error on your bill. By following these steps, you can protect your credit rating.

Other Aspects Of Using Credit

The best way to keep up your credit standing is to repay all debts on time. But there may be complications. To protect your credit rating, you should learn how to correct mistakes and misunderstandings that can tangle up your credit accounts.

When there's a snag, first try to deal directly with the creditor. The credit laws can help you settle your complaints without a hassle.

What Laws Apply?

FAIR CREDIT BILLING ACT sets up procedures requiring creditors to promptly correct billing mistakes; allowing you to withhold payments on defective goods; and requiring creditors to promptly credit your payments.

TRUTH IN LENDING gives you three days to change your mind about certain credit transactions that use your home as collateral; it also limits your risk on lost or stolen credit cards.

Billing Errors

Month after month John Jones was billed for a lawn mower he never ordered and never got. Finally, he tore up his bill and mailed back the pieces--just to try to explain things to a person instead of a computer.

There's a more effective, easier way to straighten out these errors. **The Fair Credit Billing Act** requires creditors to correct errors promptly and without damage to your credit rating.

A Case of Error. The law defines a billing error as any charge:

-- for something you didn't buy or for a purchase made by someone not authorized to use your account;

-- that is not properly identified on your bill or is for an amount different from the actual purchase price or was entered on a date different from the purchase date; or

-- for something that you did not accept on delivery or that was not delivered according to agreement.

Billing errors also include:
-- errors in arithmetic;
-- failure to show a payment or other credit to your account;
-- failure to mail the bill to your current address, if you told the creditor about an address change at least 20 days before the end of the billing period; or
-- a questionable item, or an item for which you need more information.

In Case of Error: If you think your bill is wrong, or want more information about it, follow these steps:

1. Notify the creditor in writing within 60 days after the first bill was mailed that showed the error. Be sure to write to the address the creditor lists for billing inquiries and to tell the creditor:
-- your name and account number;
-- that you believe the bill contains an error and why you believe it is wrong; and
-- the date and suspected amount of the error or the item you want explained.

2. Pay all parts of the bill that are not in dispute. But, while waiting for an answer, you do not have to pay the amount in question (the "disputed amount") or any minimum payments or finance charges that apply to it.

The creditor must acknowledge your letter within 30 days, unless the problem can be resolved within that time. Within two billing periods--but in no case longer than 90 days--either your account must be corrected or you must be told why the creditor believes the bill is correct.

If the creditor made a mistake, you do not pay any finance charges on the disputed amount. Your account must be corrected, and you must be sent an explanation of any amount you still owe.

If no error is found, the creditor must send you an explanation of the reasons for that finding and promptly send a statement of what you owe, which may include any finance charges that have accumulated and any minimum payments you missed while you were questioning the bill. You then have the time usually given on your type of account to pay any balance, but not less that 10 days.

3. If you still are not satisfied, you should notify the creditor in writing within the time allowed to pay your bill.

Maintaining Your Credit Rating. A creditor may not threaten your credit rating while you're resolving a billing dispute.

Once you have written about a possible error, a creditor must not give out information to other creditors or credit bureaus that would hurt your credit reputation. And, until your complaint is answered, the creditor also may not take any action to collect the disputed amount.

After the creditor has explained the bill, if you do not pay in the time allowed, you may be reported as delinquent on the amount in dispute and the creditor may take action to collect. Even so, you can still disagree in writing. Then the creditor must report that you have challenged your bill and give you the name and address of each person who has received information about your account. When the matter is settled, the creditor must report the outcome to each person who has received information. Remember that you may also place your own side of the story in your credit record.

Defective Goods or Services

Your new sofa arrives with only three legs. You try to return it; no luck. You ask the merchant to repair or replace it; still no luck. The Fair Credit Billing Act allows you to withhold payment on any damaged or poor quality goods or services purchased with a credit card, as long as you have made a real attempt to solve the problem with the merchant.

This right may be limited if the card was a bank or travel and entertainment card or any card not issued by the store where you made your purchase. In such cases, the sale:

-- must have been for more than $50; and

-- must have taken place in your home state or within 100 miles of your home address.

Prompt Credit for Payments and Refunds for Credit Balances

Some creditors will not charge a finance charge if you pay your account within a certain period of time. In this case, it is especially important that you get your bills, and get credit for paying them,

promptly.

Check your statements to make sure your creditor follows these rules:

Billing. Look at the date on the postmark. If your account is one on which no finance or other charge is added before a certain due date, then creditors must mail their statements at least 14 days before payment is due.

Crediting. Look at the payment date entered on the statement. Creditors must credit payments on the day they arrive, as long as you pay according to payment instructions. This means, for example, sending your payment to the address listed on the bill.

Credit Balances. If a credit balance results on your account (for example, because you pay more than the amount you owe, or you return a purchase and the purchase price is credited to your account), the creditor must make a refund to you. The refund must be made within seven business days after your written request, or automatically if the credit balance is still in existence after six months.

Cancelling a Mortgage

Truth in Lending gives you a chance to change your mind on one important kind of transaction--when you use your home as security for a credit transaction. For example, when you are financing a major repair or remodeling and use your home as security, you have three business days, usually after you sign a contract, to think about the transaction and to cancel it if you wish. The creditor must give you written notice of your right to cancel, and, if you decide to cancel, you must notify the creditor in writing within the three-day period. The creditor must then return all fees paid and cancel the security interest in your home. No contractor may start work on your home, and no lender may pay you or the contractor until the three days are up. If you must have the credit immediately to meet a financial emergency, you may give up your right to cancel by providing a written explanation of the circumstances.

The right to cancel (or right of rescission) was provided to protect you against hasty decisions--or

decisions made under pressure--that might put your home at risk if you are unable to repay the loan. The law does not apply to a mortgage to finance the purchase of your home; for that, you commit yourself as soon as you sign the mortgage contract. And, if you use your home to secure an open-end credit line--a home equity line, for instance--you have the right the cancel when you open the account or when your security interest or credit limit is increased. (In the case of an increase, only the increase would be cancelled.)

Lost or Stolen Credit Cards

If your wallet is stolen, your greatest cost may be inconvenience, because your liability on lost or stolen cards is limited under Truth in Lending.

You do not have to pay for any unauthorized charges made after you notify the card company of loss or theft of your card. So keep a list of your credit card numbers and notify card issuers immediately if your card is lost or stolen. The most you will have to pay for unauthorized charges is $50 on each card--even if someone runs up several hundred dollars worth of charges before you report a card missing.

Unsolicited Cards

It is illegal for card issuers to send you a credit card unless you ask for or agree to receive one. However, a card issuer may send, without your request, a new card to replace an expiring one.

Electronic Fund Transfers - Instant Money

On his way home last Friday night, John Jones realized he had no cash for the weekend. The bank was closed, but John had his bank debit card and the code to use it. He inserted the card into an automated teller machine outside the front door of the bank; then, using a number keyboard, he entered his code and pressed the buttons for a withdrawal of $50. John's cash was dispensed automatically from the machine, and his bank account was electronically debited for the $50 cash withdrawal.

John's debit card is just one way to use electronic fund transfer (EFT) systems that allow payment between parties by substituting an electronic signal for cash or checks.

Are we heading for a check-less society? Probably not. But a dent in the number of paper checks in the country's banking system--or a reduction in the rate at which that number has been growing--is clearly one advantage to electronic banking.

Today, the cost of moving checks through the banking system is estimated to be approximately 80 cents per check, including the costs of paper, printing, and mailing. Moreover, checks--except your own check presented at your own bank--take time to cash: time for delivery, endorsement, presentation to another person's bank, and winding through various stations in the check clearing system. Technology now can lower the costs of the payment mechanism and make it more efficient and convenient by reducing paperwork.

EFT in Operation

The national payment mechanism moves money between accounts in a fast, paperless way. These are some examples of EFT systems in operation:

Teller Machines (ATMs). Consumers can do their banking without the assistance of a teller, as john Jones did to get cash, or to make deposits, pay bills, or transfer funds from one account to another electronically. These machines are used with a debit or EFT card and a code, which is often called a personal identification number or "PIN."

(POS) Transactions. Some EFT cards can be used when shopping to allow the transfer of funds from the consumer's account to the merchant's. To pay for a purchase, the consumer presents an EFT card instead of a check or cash. Money is taken out of the consumer's account and put into the merchant's account electronically.

Preauthorized Transfers. This is a method of automatically depositing to or withdrawing funds from an individual's account, when the account holder authorizes the bank or a third party (such as an employer) to do so. For example, consumers can authorize direct electronic deposit of wages, Social Security or dividend payments to their accounts. Or, they can authorize financial institutions to make regular, ongoing payments of insurance, mortgage, utility or other bills.

Telephone Transfers. Consumers can transfer funds from one account to another--from savings to checking, for example--or can order payment of specific bills by phone.

What Law Applies?

THE ELECTRONIC FUND TRANSFER ACT gives consumers answers to several basic questions about using EFT services.

A check is a piece of paper with information that authorizes a bank to withdraw a certain amount of money from one person's account and pay that amount to another person. Most consumer questions center on the fact that EFT systems transmit the information without the paper. Thus, they ask:

-- What record--what evidence--will I have of my transactions?
-- How easily will I be able to correct errors?
-- What if someone steals money from my account?
-- What about solicitations?
-- Do I have to use EFT services?

Here are the answers the EFT Act gives to consumer questions about these systems.

What Record Will I Have of My Transactions?

A cancelled check is permanent proof that a payment has been made. Is proof of payment available with EFT services?

The answer is yes. If you use an ATM to withdraw money or make deposits, or a point-of-sale terminal to pay for a purchase, you can get a written receipt--much like the sales receipt you get with a cash purchase--showing the amount of the transfer, the date it was made, and other information. This receipt is your record of transfers initiated at an electronic terminal.

Your periodic bank statement must also show all electronic transfers to and from your account, including those made with debit cards, by a pre-authorized arrangement, or under a telephone

transfer plan. It will also name the party to whom payment has been made and show any fees for EFT services (or the total amount charged for account maintenance) and your opening and closing balances.

Your monthly statement is proof of payment to another person, your record for tax or other purposes, and your way of checking and reconciling EFT transactions with your bank balance.

How Easily Will I Be Able to Correct Errors?
The way to report errors is somewhat different with EFT services than it is with credit cards (see page 22 for correcting credit billing errors). But, as with credit cards, financial institutions must investigate and correct promptly any EFT errors you report.

If you believe there has been an error in an electronic fund transfer relating to your account:
1. Write or call your financial institution immediately if possible, but no later than 60 days from the date the first statement that you think shows an error was mailed to you. Give your name and account number and explain why you believe there is an error, what kind of error, and the dollar amount and date in question. If you call, you may be asked to send this information in writing within 10 business days.

2. The financial institution must promptly investigate an error and resolve it within 45 days. However, if the financial institution takes longer than 10 business days to complete its investigation, generally it must put back into your account the amount in question while it finishes the investigation. (The time periods are longer for POS debit card transactions and for any EFT transaction initiated outside the United States.) In the meantime, you will have full use of the funds in question.

3. The financial institution must notify you of the results of its investigation. If there was an error, the institution must correct it promptly--for example, by making a re-credit final. If it finds no error, the financial institution must explain in writing why it believes no error occurred and let you know that it has deducted any amount re-credited during the investigation. You may ask for copies of documents relied on in the investigation.

What About Loss or Theft?

It's important to be aware of the potential risk in using an EFT card, which differs from the risk on a credit card.

On lost or stolen credit cards, your loss is limited to $50 per card (see page 25). On an EFT card, your liability for an unauthorized withdrawal can vary:

-- Your loss is limited to $50 if you notify the financial institution within two business days after learning of loss or theft of your card or code.

-- But, you could lose as much as $500 if you do not tell the card issuer within two business days after learning of the loss or theft.

-- If you do not report an unauthorized transfer that appears on your statement within 60 days after the statement is mailed to you, you risk unlimited loss on transfers made after the 60-day period. That means you could lose all the money in your account plus your maximum overdraft line of credit.

Example:

On Monday, john's debit card and secret code were stolen. On Tuesday, the thief withdrew $250, all the money John had in his checking account. Five days later, the thief withdrew another $500, triggering John's overdraft line of credit. John did not realize his card was stolen until he received a statement from the bank, showing withdrawals of $750 he did not make. He called the bank right away. John's liability is $50.

Now suppose that when john got his bank statement he didn't look at it and didn't call the bank. Seventy days after the statement was mailed to john, the thief withdrew another $1,000, reaching the limit on John's line of credit. In this case, John would be liable for $1,050 ($50 for transfers before the end of the 60 days; $1,000 for transfers made more than 60 days after the statement was mailed).

What About Solicitations?

A financial institution may send you an EFT card that is VALID FOR USE only if you ask for one, or to replace or renew an expiring card. The financial institution must also give you the following

information about your rights and responsibilities:
-- A notice of your liability in case the card is lost or stolen;
-- A telephone number for reporting loss or theft of the card or an unauthorized transfer;
-- A description of its error resolution procedures;
-- The kinds of electronic fund transfers you may make and any limits on the frequency or dollar amounts of such transfers;
-- Any charge by the institution for using EFT services;
-- Your right to receive records of electronic fund transfers;
-- How to stop payment of a pre-authorized transfer;
-- The financial institution's liability to you for any failure to make or to stop transfers; and
-- The conditions under which a financial institution will give information to third parties about your account.

Generally, you must also get advance notice of any change in the account that would increase your costs or liability, or limit transfers.

A financial institution may send you a card you did not request only if the card is NOT VALID FOR USE. An "unsolicited" card can be validated only at your request and only after the institution makes sure that you are the person whose name is on the card. It must also be sent with instructions on how to dispose of an unwanted card.

Do I Have to Use EFT?
The EFT Act forbids a creditor from requiring you to repay a loan or other credit by EFT, except in the case of overdraft checking plans. And, although your employer or a government agency can require you to receive your salary or a government benefit by electronic transfer, you have the right to choose the financial institution that will receive your funds.

Special Questions About Pre-authorized Plans
Q. How will I know a pre-authorized credit has been made?

A. There are various ways you may be notified. Notice may be given by your employer (or whoever

is sending the funds) that the deposit has been sent to your financial institution. Otherwise, a financial institution may provide notice when it has received the credit or will send you a notice only when it has not received the funds. Financial institutions also have the option of giving you a telephone number you can call to check on a pre-authorized credit.

Q. How do I stop a pre-authorized payment?

A. You may stop any pre-authorized payment by calling or writing the financial institution, so that your order is received at least three business days before the payment date. Written confirmation of a telephone notice to stop payment may be required.

Q. If the payments I pre-authorize vary in amount from month to month, how will I know how much will be transferred out of my account?

A. You have the right to be notified of all varying payments at least 10 days in advance.
Or, you may choose to specify a range of amounts and to be told only when a transfer falls outside that range. You may also choose to be told only when a transfer differs by a certain amount from the previous payment to the same company.

Q. Do the EFT Act protections apply to all pre-authorized plans?

A. No. They do not apply to automatic transfers from your account to the institution that holds your account or vice versa. For example, they do not apply to automatic payments made on a mortgage held by the financial institution where you have your EFT account. The EFT Act also does not apply to automatic transfers among your accounts at one financial institution.

DIVORCE AND CREDIT

The credit and money-related problems that can accompany a divorce used to primarily affect women.

However, many men are now confronting these issues because increasing numbers of women are pursuing successful careers and starting their own businesses. Some women are now their family's major wage earner. This economic clout means that in some households it is the wife rather than the husband whose income qualifies a couple for joint credit. It also means that a growing number of women have the opportunity to begin their own businesses. If their businesses fail, these women could create financial problems for their former spouses. No matter how happy your relationship, it is wise for both men and women to prepare themselves financially for the possibility of divorce.

In this chapter I address some of the problems both sexes are likely to face after divorce, discuss how best to deal with these problems and tell you what can be done to avoid them.

If you are contemplating divorce, it is important that you take certain steps before filing to help minimize any potential financial damage the change in marital status may cause, including:

Make sure you have good credit separate from your spouse. If you do not, delay your divorce until you can get some credit and a bank account in your own name. For advice about building individual credit, read Chapter 7.

Pay all mutually shared bills and credit card debts from joint funds. That way you do not risk the possibility of their becoming your own debt to be paid out of your own income once you divorce.

If you already have either joint or individual credit, obtain a copy of your credit record from each of

the big three and address any problems you may find.

If some of the accounts in your credit file are joint accounts with negative histories, and if the adverse information is the fault of your soon-to-be-former spouse or the result of circumstances beyond your control, prepare a written explanation of the reason/s for the negative information, and ask the credit bureau to make this explanation a permanent part of your credit history. Doing so may help disassociate you from the account's problems. It is also a good idea to attach the same explanation to any credit applications you complete.

If you have a lawyer or a financial advisor you trust, talk with them about what you should do to prepare for the change in your marital status.

Should your spouse file for bankruptcy while you are in the process of divorce, it is likely that the divorce proceedings will be stopped until the bankruptcy is completed. During this time, talk with your lawyer about how to minimize the impact of your spouse's troubles on your financial situation.

Accounts

Creditors consider spouses with joint accounts to be equally liable for those accounts. Because of this, it is very important that you cancel all joint accounts as soon as possible. If you do not, you run the risk that you will be liable for making payments on account balances that your former spouse ran up and cannot pay. Furthermore, if your spouse is late making payments on joint accounts or defaults on those accounts, that adverse information will be reflected in your credit record as well as in your spouse's as long as those accounts are open. You may then be faced with having to rebuild your own once-good credit.

Close joint accounts by writing to each creditor and indicating that as of the date of your letter you will not be responsible for any charges your spouse might run up.

When you get ready to close your joint accounts, remember that if you want individual credit with the same creditors, they have the right to require that you reapply for the credit if your joint accounts were based on your spouse's income. If the accounts were based on your income, however, or if

either of you could have qualified for the credit at the time of application you will probably not be required to reapply.

Avoid negotiating a divorce agreement that allows your spouse to maintain your joint accounts in exchange for paying off the outstanding balances on those accounts. Remember, as long as those joint accounts remain open-whether you use them or not you will be legally liable for them regardless of what your divorce agreement says.

Divorce

A spouse who divorces and does not have separate credit in his or her own name is in a very vulnerable position. If the joint accounts are kept open, the consumer risks becoming liable for an ex-spouse's debt. If all joint accounts are closed or if the consumer no longer is removed from an authorized user account, the consumer may be left without ready access to credit at a time when credit can be especially valuable. However, if you have your own credit identity separate from a former spouse, access to credit should be generally unaffected by a divorce-except in the case of joint account problems. As was noted in the section on widowhood in Chapter 7, creditors cannot deny a consumer who shared accounts with a former spouse continued use of those accounts, nor can creditors change the terms of credit simply because of a change in marital status. Creditors can, however, require that you reapply for that credit if you would not have qualified for the credit on your own at the time application was first made. In marriages where there is a significant disparity in earnings between spouses and the spouse with the smaller income shared accounts with the other, the person making less money risks losing the credit.

If you reapply for credit once held jointly or apply for completely new credit, potential creditors cannot discount or refuse to consider non-job income such as child support and alimony. However, they do have the right to request that you prove the reliability of these sources of income and can deny a person credit if they judge the income sources to be unreliable. If you will be relying on non-job income to help you qualify for credit, it is a good idea to collect and save any documentation you may have that supports the reliability of that income. Such documentation might include: canceled checks, legal documents such as your divorce agreement, a notarized letter from your ex-spouse, bank deposit slips, etc.

In evaluating your credit-worthiness, creditors also must consider the credit history of a former spouse if you can demonstrate that your former spouse's history reflects your history too. If that credit history is positive and if you have no individual credit and never shared credit with your former spouse, you may want to use this provision to build your own credit record. However, as we indicated in Chapter 7, this is a long shot.

To demonstrate that a former spouse's history reflects yours, you may be able to provide copies of checks you wrote to pay on accounts, letters you may have written to creditors regarding accounts, etc.

If you are on good terms, you may want to ask your former spouse to write a letter to the potential creditor on your behalf.

If you are a woman and take back your maiden name after a divorce, be certain to let your creditors know. Ask them to begin reporting accounting information to credit bureaus in your new name. Then wait a couple of months, and check your credit record again to make sure that your creditors are reporting correctly to credit bureaus.

Bankruptcy after Divorce

In today's economic times, it is not inconceivable for your former spouse to file for bankruptcy. Bankruptcy law may wipe out debt that your former spouse owes you as part of your divorce agreement, but it does not cancel alimony and child support obligations and does not wipe out tax debts. A bankruptcy can make it difficult for your former spouse to make payments, possibly pushing you into bankruptcy too.

Consumers living in community property states face additional problems. In those states, both parties in a marriage are jointly liable for any debts that were incurred during that marriage whether those debts were acquired individually or together. That means that if a former spouse, as part of a divorce agreement, promises to pay off all debt from a marriage and fails to live up to that agreement, creditors have the legal right to expect payment from the other party in the now

dissolved marriage.

In such a situation, you have two basic options-pay off the debt and try to save your own credit history, or file for bankruptcy. If you want to pay off the debt, and if those financial obligations are sizable, it is advisable that you try to negotiate a payment schedule with each of your creditors.

To arrange a workable payment plan, contact each creditor directly-by letter, telephone or in person. Tell your creditors what your situation is. Explain that you would like to meet your obligations but your income is such that you will need to work out a schedule of monthly payments that you can afford.

If you do not feel comfortable initiating these negotiations, schedule an appointment with a counselor at the Consumer Credit Counseling (CCC) office nearest you. CCC counselors are professionals, have a lot of experience in creditor negotiations and are well respected by most creditors.

Do not opt for bankruptcy without giving it a lot of serious thought. A bankruptcy will remain on your credit record for up to ten years and will make it even more difficult for you to build a positive credit record. Before you make a decision regarding bankruptcy, talk with a CCC counselor so that you understand all the ramifications of that step, and make sure that all other options for dealing with your problem have been exhausted.

CREDIT CARD SECRETS BANKS DON'T WANT YOU TO KNOW

Source: Massachusetts Executive Office of Consumer Affairs and Business Regulation

1. Interest Backdating

Most card issuers charge interest from the day a charge is posted to your account if you don t pay in full monthly. But, some charge interest from the date of purchase, days before they have even paid the store on your behalf!

REMEDY: Find another card issuer, or always pay your bill in full by the due date.

2. Two-Cycle Billing

Issuers which use this method of calculating interest, charge two months worth of interest for the first month you failed to pay off your total balance in full. This issue arises only when you switch from paying in full to carrying a balance from month to month.

REMEDY: Switch issuers or always pay your balance in full.

3. The Right To Setoff

If you have money on deposit at a bank, and also have your credit card there, you may have signed an agreement when you opened the deposit account which permits the bank to take those funds if you become delinquent on your credit card.

REMEDY: Bank at separate institutions, or avoid delinquencies.

4. Fees Are Negotiable

You may be paying up to $50 a year or more as an annual fee on your credit card. You may also be subject to finance charges of over 18%.

REMEDY: If you are a good customer, the bank may be willing to drop the annual fee, and reduce the interest rate you only have to ask! Otherwise, you can switch issuers to a lower- priced card.

5. Interest Rate Hikes Are Retroactive

If you sign up for a credit card with a low "teaser" rate, such as 7.9%, when the low rate period expires, your existing balance will likely be subject to the regular and substantially higher interest rate.

REMEDY: Pay in full before the rate increase or close the account.

6. Shortened Due Dates

Most card issuers offer a 25 day grace period in which to pay for new purchases without incurring finance charges. Some banks have shortened the grace period to 20 days but only for customers who pay in full monthly.

REMEDY: Ask to go back to 25 days.

Banks are continually changing their regulations for these cards to benefit themselves. Some of this information may no longer be accurate.

SCORING FOR CREDIT

FTC, This information may change from time to time.

How does a creditor decide whether to lend you money for such things as a new car or a home mortgage? Many creditors use a system called "credit scoring" to determine whether you are a good credit risk. Based on how well you score, a creditor may decide to extend credit to you or turn you down. The following questions and answers may help you understand who gets credit, and why.

What is Credit Scoring?

Credit scoring is a system used by some creditors to determine whether to give you a loan or credit card. The creditor may examine your past credit history to evaluate how promptly you pay your bills and look at other factors as well, such as the amount of your income, whether you own a home, and how many years you have worked at your job. A credit scoring system awards points for each factor that the creditor considers important.

Creditors generally offer credit to those consumers awarded the most points because those points help predict who is most likely to pay back the debt.

Why is Credit Scoring Used?

In smaller communities, shopkeepers, bankers, and others who extend credit often knew by word of mouth who paid their debts and who did not. As some creditors became larger and as the number of their consumer credit applications grew, these creditors needed to establish more systematic and efficient methods for evaluating which consumers were good credit risks. Credit scoring is one such technique.

Although smaller creditors still may rely on informal credit evaluations, many large companies now use formal credit scoring systems. Although no system is perfect, credit scoring systems can be at least as accurate as informal methods for granting credit -- and often are more so -- because they

treat all applicants objectively.

How is a Credit Scoring System Developed?

Most credit scoring systems are unique because they are based on a creditor's individual experiences with customers. To develop a system, a creditor will select a random sample of its customers and analyze it statistically to identify which characteristics of those customers could be used to demonstrate creditworthiness. Then, again using statistical methods, a creditor will weigh each of these factors based on how well each predicts who would be a good credit risk.

How is a Consumer's Application Scored?

To illustrate how credit scoring works, consider the following example that uses only three factors to determine whether someone is creditworthy. (Most systems have 6 to 15 factors.)

Example

Monthly income Points Awarded

Less than $400 0

$400 to $650 3

$651 to $800 7

$801 to $1,200 12

$1,200 + 15

Age

21-28 11

28-35 5

36-48 2

48-61 12

61 + 15

Telephone in home

Yes 12

No 0

Some credit scoring systems award fewer points to people in their thirties and forties, because

these individuals often have a relatively high amount of debt at that stage of their lives. The law permits creditors using properly-designed scoring systems to award points based on age, but people who are 62 or older must receive the maximum number of points for this factor.

If, for example, you needed a score of 25 to get credit, you would need to make sure you had enough income at a certain age (and, perhaps a telephone) to qualify for credit.

Remember, this example shows very generally how a credit scoring system works. Most credit scoring systems consider more factors than this example -- sometimes as many as 15 or 20. Usually these factors are obviously related to your credit worthiness. Sometimes, however, additional factors are included that may seem unusual. For example, some systems score the age of your car. While this may seem unrelated to creditworthiness, it is legal to use factors like these as long as they do not illegally discriminate on race, sex, martial status, national origin, religion, or age.

How Valid is the Credit Scoring System?

With credit scoring systems, creditors are able to evaluate millions of applicants consistently and impartially on many different characteristics. But credit scoring systems must be based on large enough numbers of recent accounts to make them statistically valid.

Although you may think that such a system is arbitrary or impersonal, a properly developed credit scoring system can make decisions faster and more accurately than an individual can. And many creditors design their systems so that marginal cases -- not high enough to pass easily or low enough to fail definitively -- are referred to a credit manager who personally decides whether the company will extend credit to a consumer. This may allow for discussion and negotiation between the credit manager and a consumer.

What Happens If You Are Denied Credit?

While a creditor is not required to tell you the factors and points used in its scoring system, the creditor must tell you why you were rejected for credit. This is required under the Equal Credit Opportunity Act (ECOA).

So if, for example, a creditor says you were denied credit because you have not worked at your current job long enough, you might want to reapply after you have been at that job longer. Or, if you were denied credit because your debt-free monthly-income was not high enough, you might want to pay some of your bills and reapply. Remember, also, that credit scoring systems differ from creditor to creditor, so you might get credit if you applied for it elsewhere.

Sometimes you can be denied credit because of a bad credit report. If so, the Fair Credit Reporting Act requires the creditor to give you the name and address of the credit reporting bureau that reported the information. You might want to contact that credit bureau to find out what your credit report said. This information is free if you request it within 30 days of being turned down for credit. Remember that the credit bureau can tell you what is in your report, but only the creditor can tell you why it denied your application.

Where Can You Go For More Information?

If you have additional questions about credit scoring issues, write to: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580. While the FTC cannot resolve individual problems for consumers, it can act when it sees a pattern of possible law violations.

BANKRUPTCY- My own experience!

In the early 1990's I had a business failure. Within a week of that happening, my wife announced that she wanted a divorce. That was total devastation, both emotionally and financially. Before it was over, I had to file Chapter 7 bankruptcy. There are people who advise that you should only file bankruptcy as a last resort because of its long lasting negative effects on your credit. **BULL!**

Granted, bankruptcy should only be declared when your financial situation is bad, but it's not terminal to your life, or your future credit. Furthermore, they do not take everything you own. They don=t even send anyone to your home to inventory your personal possessions.

There are both federal and state exemptions you can claim in a bankruptcy. You will find most of them listed below. Many states only allow you to use the state exemptions, but some allow you to choose either federal, or state exemptions. You need to research the current exemptions for your state before you begin the process. A competent paralegal can help you with that, or visit the law library at your local court. The people behind the desk are usually quite helpful.

There are methods of asset protection available, such as trusts and limited liability corporations. In today's sue happy society, it would be in everyone's best interest to look into these things, and avail themselves of as much protection as possible. However, doing any of these things just before filing bankruptcy may be fraud. If it is, you will get caught.

The two types of bankruptcy are Chapter 7 and Chapter 13 (wage earner plan). Chapter 7 is a total bath. The slate is wiped clean. Chapter 13 allows you to make payments through a trustee. Your debts are usually settled at greatly reduced amounts. You can also keep secured debts under Chapter 7. Chapter 13 remains on your credit history for 7 years, instead of the 10 years for Chapter 7.

When you file Chapter 7, the credit card companies immediately cancel your credit cards. EXCEPT: they don't always cancel cards that do not have a balance on them at the time you declare bankruptcy. I had one credit card with a major department store. It had a zero balance when I filed. The store called me, and told me I had good credit with them, but they had to cancel my card until the bankruptcy was completed. Then, they would issue me a new card. Any secured credit, such as home and automobile loans can be reinstated. Your creditors will contact you, and offer you that option.

At the time I filed Chapter 7, I could not get any credit for the first six months. That's not the way it is today. If you file bankruptcy today, everyone and their dog will send you offers of credit. Of course, the interest rates are high, but credit is available for cars and such. One of the more interesting discoveries I made, was that Ford Credit was the easiest to deal with after a bankruptcy.

As I stated previously, the bankruptcy court does not send someone to your home to take inventory of everything you own. They also do not investigate all of the dents in your car that reduce its value, or anything of that nature. They are way too busy to investigate anything beyond public records. It is all handled in one very short court appearance, called a meeting of your creditors. However, some of your creditors may do some investigating if they suspect fraud.

Someone from a department store may be at court to ask if you wish to keep the toaster you bought on credit. They will want you to reinstate your contract with them, if you do.

If you decide that you need to file bankruptcy, it will be considerably cheaper to use a paralegal firm, rather than an attorney. They do exactly the same thing.

The big difference between what I did, and what I would do today, is that I would get the bankruptcy off my credit report. I tried back then, but I found it to be impossible. The credit bureaus just kept telling me that it was a matter of public record.

My strategy today, would be to use the identity theft affidavits to begin. If that did not work, I would still have copies of the affidavits to bring to court. My next step would be to file suit in small claims

court, and have the credit bureaus served. I can=t imagine that they would actually send someone to defend such an action for the few dollars I would be asking. So, I would get a default judgment, and they would have to remove it. If for some unforeseen reason that strategy did not work. I would use the Black Book strategy to change my credit identity and have a fresh start.

STATE AND FEDERAL STATUTORY BANKRUPT EXEMPTIONS

Statutory exemptions for most states can easily be found by searching on the web.

IN CLOSING

If you attempt to settle, or pay off, any debts with creditors who have placed negative entries on your credit reports, especially unsecured debts, try to make removal of the negative information part of the settlement. Get it in writing!

Armed with the information in this book, you can effectively deal with most situations involving your own credit. There may be times when you will need the services of an attorney to help you. If that happens make sure to find an attorney who is actually on your side. Remember, many of them are collectors. They may not like what you have to say.

YOU NOW KNOW WHAT YOUR RIGHTS ARE. INSIST ON GETTING THEM. YOUR GOVERNMENT IS ON YOUR SIDE.

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